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22 JUNE 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-090

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## HUNGARY

### Negotiations on Formation of Government, Coalition Progressing

#### Antall Interviewed

25000728E Budapest MAGYAR HIRLAP in Hungarian  
28 Apr 90 pp 1, 3

[Interview with MDF [Hungarian Democratic Forum] chairman and prospective prime minister Jozsef Antall, by Attila Vodros, on 26 April; place not given: "Jozsef Antall: We Are Forming a Credible Government; We Nominate Persons of International Fame to the Various Posts"—first paragraph is MAGYAR HIRLAP introduction]

[Text] The Hungarian Democratic Forum [MDF] will not nominate members of its own party to ministerial posts, but will select personalities of international renown instead, according to Vice Chairman Ferenc Kulin at an MDF press conference yesterday. As we reported in yesterday's issue, MDF Chairman and prospective prime minister Jozsef Antall granted an interview to our reporter late Thursday evening. Printing considerations permitted us to present only an excerpt of the chairman's statements [in yesterday's paper], and our edition in the countryside did not even carry the excerpt. Here we present the conversation with Antall in detail, supplemented by statements made at the MDF's press conference yesterday, thus providing more information to our readers.

[Vodros] Do the conflicts that have arisen within the Smallholders Party [FKgP] disturb, or outright break up the coalition talks?

[Antall] The MDF has initiated coalition talks with the FKgP and with the Christian Democratic Peoples Party [KDNP]. Coalition talks may be regarded as complete only after a trilateral negotiation has taken place. This has not yet taken place because, consistent with previous agreements, the FKgP convened its national board for Sunday, and to my knowledge, prior to that meeting the faction of FKgP representatives will hold a meeting. We are looking forward with great expectation particularly to their national board meeting, because there the big question will be whether the national board will accept everything we have agreed to in our negotiations thus far. The outcome may be influenced particularly by certain personnel changes that may take place on Sunday. Quite naturally, we cannot disregard the fact that elected FKgP representatives also have their own independent decisionmaking authority based on the freedom representatives enjoy.

[Vodros] KDNP Chairman Sandor Keresztes and his executive secretary Emese Ugrin left your office not too long ago. Has anything been said during the several hours of discussion concerning the controversy that is raging within the third party?

[Antall] Your information is correct, we indeed had a lengthy discussion with the Christian Democratic delegation. The discussion could be characterized as information gathering, but since in regard to a coalition the filling of some ministerial and political state secretary posts is at issue, the final outcome may emerge only after joint discussions among the three parties. Certain persons have been discussed in regard to the distribution of ministerial posts, but in this relation all I can say is this: All of these are entirely different from the persons guessed recently by the press.

[Vodros] How long will it take to see the coalition in its final form?

[Antall] The government may be authorized to be formed only after Parliament opens. This will take place on 3 May, and thereafter we will conclude negotiations which pertain to the forming of a government. Accordingly, the negotiations conducted at present—like those between the MDF and the KDNP you just referred to—are merely of an informational character.

[Vodros] The question regarding the future relationship between the MDF and the Association of Young Democrats [FIDESZ] has been raised several times.

[Antall] The MDF formed an election coalition with the Smallholders and with the Christian Democrats. Logic suggests that we must first reach an agreement with these two parties before we may start negotiations with FIDESZ. In other words, we may begin substantive talks with FIDESZ only after reaching an agreement with our coalition partners.

[Vodros] Mr. Chairman, returning to the Smallholders, do you think it is conceivable that after decades, following the first free elections some internal political disputes will frustrate what the ultimate endeavor has been, namely to take part in governing the country?

[Antall] I do not regard it as likely that any political shade within the FKgP will follow principles which would render cooperation impossible. Quite naturally, a new situation would present itself if the FKgP intended to join the opposition. The FKgP may take part in the formation of a government, but as an indirect coalition partner it may also choose to support the government's policies as a party in Parliament, and quite naturally it may become part of the opposition.... But I find it useless to cut ahead of events, notably of the decision to be rendered by the FKgP faction, or of what they will define at their national board meeting. In this regard we need to see clearly as soon as possible, because we will be forming a government soon.

[Vodros] As long as you mentioned the forming of government, who will be the members of the Council of Ministers?

[Antall] The essential designation of persons best suited for the tasks has taken place already, and recommendations have been made. Aware of these recommendations,



I can state that we are able to form a government composed of good professionals and politicians, who enjoy credibility both in Hungary and abroad. Quite naturally, we will be unable to establish this government before we conclude the trilateral negotiations.

### **MDF Holds Press Conference**

25000728E Budapest *MAGYAR HIRLAP* in Hungarian  
28 Apr 90 p 3

[Text] At a press conference given by Vice Chairman Ferenc Kulin at MDF headquarters it was announced that with the inclusion of the Ministry of Finance a peak ministry concerned with the economy will be established, and that a new ministry concerned with employment policies, i.e. labor affairs, will be created. No decision has been reached yet on the persons who will head the individual ministries, but they stressed that in filling the ministerial positions the MDF does not nominate candidates from its own ranks, but highly regarded personalities instead, who enjoy a good reputation on an international scale, and who were not party members either in the past or at present. They confirmed once again that the new government intends to enlist the work of every professional, except of those whose past is burdened by criminal activities.

MDF presidium member Huba Kozma and Laszlo Pordany reported on their trip to Lithuania. They stressed that it may be that Lithuania will now live through [the Hungarian] 1956 [experience]. Relative to the Lithuanian situation Kulin said that according to a statement made by party chairman Antall, Hungary will follow the policy of the United States in this regard. Presidium member Lajos Fur reported on the congress of the Democratic Association of Hungarians in Romania held in Nagyvarad (Oradea) over the weekend, which he attended.

### **Parliamentary Committees Establish Agenda, Form Subcommittees**

25000729B Budapest *NEPSZABADSAG* in Hungarian  
9 May 90 p 5

[Text] This morning the Parliament's chamber will again be filled with people, this time for a one-day meeting. The House is expected to deal with three legislative proposals: amendments to the Constitution of the Hungarian Republic and to Law No. 9 of 1987 concerning legislative action, and the listing of the ministries of the Hungarian Republic. Virtually all committees held meetings prior to the plenary session (yesterday the Committees on Environmental Protection, National Security, Foreign Affairs, Human Rights, and the House, while this morning four more committees will hold meetings to develop common viewpoints in regard to legislative proposals to be dealt with at the plenary session). Various party factions also caucused to develop positions in regard to [the matters to be acted upon at the plenary] session.

Late yesterday afternoon word spread that today's agenda of the National Assembly will be expanded by two items. A legislative proposal concerning deregulation will be presented to representatives, and presumably, representative Zoltan Kiraly is preparing to enter an interpellation in regard to the recently revealed arms sale scandal.

**Social Welfare, Family Protection, and Health Care Committee:** Committee Chairman Dr. Gyula Kiss (Hungarian Democratic Forum—MDF) opened the meeting. Discussions focused on the legacy left behind by the previous social welfare and health care committee. The officers of the permanent committee introduced themselves to each other. They established three subcommittees and elected their officers. Thus, a social policy and family protection subcommittee will be headed by representative Dr. Geza Arato (Alliance of Free Democrats—SZDSZ), Dr. Pal Kovacs (Hungarian Socialist Party—MSZP) will chair the subcommittee on social security, and Dr. Miklos Baranyai (MDF) will be the chairman of the health care subcommittee.

The committee intended to discuss the most urgent tasks in regard to social security—a special item on the agenda, but the person asked to make the presentation attended another committee meeting and did not appear.

After the meeting we asked Chairman Kiss about rumors concerning the "rebuttoning" of the social security system. Namely: The coat remains unchanged, but [the buttons must be adjusted]. The material and organizational conditions of the independence of social security must be established. "Several decades of indispensable capital accumulation from savings were needed everywhere in the world to render social security operational. Return must be earned on this operating capital so that we are not managing only on the basis of contributions," the chairman stressed.

**Environmental Protection Committee:** Chaired by representative Miklos Lukats [Christian Democratic People's Party—KDNP], substantive discussion by the committee focused on the committee's functional scope and on the governmental framework of that scope. Representative Dr. Laszlo Salamon, chairman of the Committee on the Constitution, Legislative Development, and the Judiciary, informed the committee in detail concerning the legislative proposal which enumerates the future ministries.

Representatives were divided on the issue of whether water resource management should be considered part of environmental protection. The same question arose with regard to regional development. In the end a majority of the committee voted to separate these areas. In choosing from among four possible designations of the ministry (Environmental Protection, Environmental Management, Environmental Affairs, and Environmental- and Nature-Protection [Ministry]) the committee found the first designation to be appropriate.

Further, the committee considered the situation of the Gyekenyes-Gyurgyevac water barrage along the Drava River, and requested additional information concerning the construction which has commenced on the basis of an international agreement that was signed on 27 February 1988.

**Special Committee on National Security:** After the committee's closed organizational meeting we asked representative Gabor Demszky (SZDSZ), chairman of the special committee, to summarize the topics of debate.

We reviewed the report of the previous parliamentary committee which examined the activities of the Internal Security Service. Our committee took the position that the service should remove the implements (listening devices, etc.), dismantle these devices from the apartments of persons they had held under observation, and apologize to the persons involved. Further, we dealt with what we regard as the weak points in Law No. 10 of 1990, and especially those provisions which regulate the application of secret service means. We decided that at our next meeting we want to hear from Lajos Nagy, head of the National Security Office, and from Istvan Dercze, head of the Information Office, on this matter. Our committee regards the urging of the creation of a national security law, together with a law concerning state and service secrets at the earliest possible date, as its important task. Further, we are convinced that the new national security law must include a provision according to which control over domestic, civilian, and military secret services must be exercised [directly] by the parliamentary committee. We were encouraged by the fact that the leaders of these services shared our view in this regard, even though as of now it is the Justice Minister who reports to Parliament concerning the application of special secret service means. Therefore we are also expecting to see Kalman Kulcsar at our next session.

**Human Rights, Minorities, and Religious Affairs Committee:** At its organizational meeting the committee agreed that the officers of the committee will prepare a list for the next meeting in which they enumerate the issues to be discussed, and that a ranking of the issues will be determined on that basis. At yesterday's meeting the topics regarded as most important were refugee affairs, debate over the proposed law concerning nationalities, and the establishment of cooperative relations with the foreign affairs committee.

After some debate an agreement was reached to the effect that four subcommittees will be established to perform preparatory work in regard to items placed on the agenda. Two subcommittees will deal with minority issues: one with the minorities in Hungary, the other with Hungarians residing beyond our borders.

The committee sent a greeting telegram to Laszlo Tokes on the occasion of being consecrated as bishop. A small dispute evolved over whether they should ask for God's

blessings for Tokes on behalf of the committee. Since the committee has an atheist member, they decided not to.

Lively debate ensued concerning the future form of nationalities representation. The proposal contained in the MDF-SZDSZ agreement, according to which ombudsmen (nationalities commissioners) would function rather than representatives of nationalities, is expected to be referred to the committee. These commissioners would not enjoy the rights of representatives. In the course of wide ranging debate representative Tamas Lukacs (KDNP), one of the committee vice chairmen, remarked that precisely as a result of deleting the mandates of these eight nationalities representatives, a two-thirds joint MDF-SZDSZ parliamentary majority would evolve. Representative Istvan Meszaros (SZDSZ), the other vice chairman, denied that this was in the back of the minds of those who reached the agreement. As he said: At issue is the consistent enforcement of principles, because the same position was presented in the course of roundtable negotiations.

**Foreign Affairs Committee:** Initially the Foreign Affairs Committee intends to meet biweekly. It held its organizational meeting, chaired by representative Gyula Horn [MSZP], yesterday. The representatives requested wide ranging information concerning international life, and particularly concerning the pursuits of Hungarian foreign policy. A proposal was made to the effect that Hungary's foreign representations should be inspected on the scene. Some committee members requested that the changed system be reflected in a more pronounced fashion in the framework of foreign policy, urging that personal consequences be drawn. They mentioned Moscow, Washington, and Bonn as the places where most personal consequences should be drawn. But more moderate representatives cautioned that proposals involving persons should wait until the new minister is appointed, and has developed his own ideas.

The idea that the system of trade offices has become obsolete as a result of modernizing Hungary's foreign representation had been raised, and a proposal was made to the effect that placing these offices under the jurisdiction of the diplomatic service would be useful. Among the committee's planned agenda items Gyula Horn mentioned the review of bilateral agreements with Warsaw Pact member countries, because many of these may turn out to be obsolete. The Foreign Affairs Committee recommended the establishment of an ad hoc committee to oversee the removal of Soviet troops, and decided to establish a subcommittee jointly with the Committee on Human Rights to observe the exercise of Hungarian national minority rights.

**Committee on the House:** Under the chairmanship of National Assembly Acting President Gyorgy Szabad, the Parliament's committee on the House held a closed meeting yesterday afternoon. As reported earlier, the Committee on the House is composed of the vice chairmen of the National Assembly, the leaders of the

various party factions, and the delegate of the independent representatives. The committee was established to develop the agenda for National Assembly sessions, to prepare committee debate over legislative proposals and other motions, and to perform advance conciliation in regard to the most important personal decisions affecting the National Assembly.

#### **Partial List of Leftover Tasks Inherited by New Government**

*25000729D Budapest NEPSZABADSAG in Hungarian  
18 May 90 p 5*

[Unattributed article: "What Does the New Government Receive?"]

[Text] With the help of ministries and organs having national jurisdiction, an almost 50-page package of tasks was prepared for the farewell meeting of the Council of Ministers. It contains the list of tasks due in the coming weeks and months. We will mention a few of the many things to be done.

#### **Legislative Tasks**

Included here are legislative proposals in regard to which the previous National Assembly has not decided whether they should be placed on the agenda. Among these we find, for example, the legislative proposals concerning the state household; the issuance of certificates of good moral conduct; the administrative law court; and the proposal concerning real estate owned previously by the churches. Certain legislative proposals which were already discussed by the government but which were not submitted to the House were also included in the package. Examples of these are the legislative proposals concerning general amnesty, national defense, and the repeal of provisions related to housing loans. The package also includes laws which are being written in the ministries, but the priority of these and their pacing must be resolved. To mention only the most important ones: the second draft of the law concerning the Constitution; and draft legislative proposals concerning the freedom of the press, legal representation, local taxation, the Hungarian National Bank, insurance, accounting, social welfare provisions, rehabilitation, gambling, customs duty and foreign exchange management, the establishment of new courts of law, the insignia and the flag of the Hungarian Republic and the use of these, the guaranteeing of citizen rights, the national, ethnic, and language minorities, the cooperatives, commerce, the Law on Labor, the Agricultural Chamber, the postal service, the protection of historical structures, the free access to documents of public interest, autonomous governmental bodies, private investigation, the police, national security, firearms, refugee affairs, the cartel office, and public service and rules violations.

#### **Obligations Established by the National Assembly**

Parliament established several obligations for the government. The new National Assembly may abolish these

obligations, of course. Just to get a taste of these, here are a few examples of the inherited tasks: development of a state-youth concept; a new concept for the taxation system; a legislative proposal concerning the appraisal of property; the changing of the Bos-Nagymaros agreement; development of a legislative proposal concerning the world expo; housing management reform; proprietary reform; the creation of a law concerning the representation of interests; remedying the injuries suffered by the German minority; and indemnification of persons who were convicted in the Soviet Union, but have since been rehabilitated.

#### **International Obligations**

A series of obligations of an economic character also await the government in the upcoming weeks. Several matters have to be attended to with regard to the World Bank, thus for example it is expected that a government determination must be made concerning the loan related to the adjustment of the structure. The new government must also confirm the agreement regarding the loan granted by the European Economic Community.

#### **Local Autonomy: Christian Democrats' Perception**

*25000729C Budapest NEPSZABADSAG in Hungarian  
2 May 90 p 7*

[Interview with Christian Democratic Representative Miklos Gaspar by Jozsef Bartha Szabo; place and date not given: "Let the Counties Remain; Central Money—Based on Functions; The Christian Democratic Prescription for Autonomous Governance"]

[Text] A year ago he would not have dreamed of becoming a representative in the new Parliament. Miklos Gaspar is 45 years old, married, and the father of a child. He obtained his diploma at the Lorand Eotvos University of Sciences Law School, and serves as legal counsel at the Ministry of Agriculture and Food. He is a founding member of the Christian Democratic People's Party [KDNP]. Last September, at the party's first congress he was elected national secretary. We conversed with him about the KDNP's perceptions concerning autonomous governance.

[Gaspar] The KDNP is guided by the principle of helping, one that is regarded as natural in West Europe. This means that a small community is supported by a larger one only if the small community is unable to perform its functions within the limits of its own resources. Application of this principle prevents superfluous paternalism, excessive interference, and centralization, and at the same time forces and teaches independence.

[Szabo] How would local autonomous governmental bodies come about?

[Gaspar] By way of a slate, as a result of elections, because in this way—as opposed to voting for individuals, where popularity is the ultimate factor—programs

represented by the parties may be compared, and voters may hold parties accountable to them. Accordingly, parties would be able to become parts of representative bodies in proportion to the votes cast for the parties.

[Szabo] And the representative body would elect a chairman, or a justice of the peace....

[Gaspar] What you call this person is a matter that is subject to negotiation. On the other hand, we regard it as a basic requirement that the chairman, or as you said, the justice of the peace, not be elected by the representative body, but by the people. On the other hand, the prefect should be designated by the representative body. In the framework of the autonomous governmental bodies of smaller settlements it would be conceivable that the justice of the peace and the prefect are one and the same person, but in the case of larger autonomous governmental bodies it is not only appropriate, but also necessary to separate the two positions.

[Szabo] Accordingly, the prefect would perform the administrative, i.e. the office "matters."

[Gaspar] Exactly. I feel that it is necessary to note here that we do not agree with that part of the concept issued by the legislative development committee, which for example vests so much authority in the prefect—the office of the prefect—that he may, for example, suspend a decision made by the representative body. The representative body must embody the legislative power, while the prefect embodies the executive power.

[Szabo] Cities?

[Gaspar] Once again an autonomous governmental body elected on the basis of slates would manage. The persons of the prefect and of the mayor would be separate in all cases. The former would be appointed by the autonomous governmental body, while the latter—let's call him the mayor—would be elected by the city residents.

[Szabo] How about relations between the city and villages in the vicinity of the city?

[Gaspar] We would not regard as acceptable any kind of subordinate or superior relationship. The autonomous governmental bodies in the city and in the villages within the gravitational pull of the city would have equal rights and would have to function side by side.

[Szabo] Counties?

[Gaspar] Under the earlier, "proven" practice the counties grew upon the lower level counties like omnipotent superiors. For this reason municipalities and cities react naturally when they want to shake off this burden. But one must be careful not to fall off the other side of the horse. In Europe, and in the more developed part of the world there is not a single country in which the basic level of government—city, municipal government—is not linked to the national organs by one or more intermediate links. Accordingly, in my view, there is a continued need for counties.

[Szabo] Autonomous county governments?

[Gaspar] I am diametrically opposed to the idea that autonomous county governmental bodies should be formed on the basis of recruiting from among municipal and city leaders. In this case an autonomous county government would not represent the county as a whole, but would become a body of people struggling to enforce partial interests. In my view the county representative body should also be elected by the people on the basis of slates. Their leaders—we could call them chairmen, deputy lieutenants, as agreed upon—should also be elected the same way. On the other hand, the prefect who directs the administration would be appointed by the representative body.

[Szabo] Would the municipal and city autonomous governmental bodies have a superior authority?

[Gaspar] No, but there would be no adjunct either. It would be a different level, as defined by law. The county would only deal with issues which exceed the strength and potential of the autonomous governmental bodies in the area. For example, the county would deal with county academies, high schools, hospitals, archives, theaters, maternity homes, or larger investment projects. On the other hand, in terms of government administration counties would perform a secondary role, i.e. determinations made by municipal or city administrations could be appealed to the county deputy lieutenant. On the other hand, decisions reached by county offices in the second instance could be appealed to the administrative law court.

[Szabo] This is not a negligible issue: What funds would the autonomous governmental bodies use to manage their affairs?

[Gaspar] They would receive significant amounts of central subsidies, but not on the basis of some kind of a per capita allocation, but on a functional basis. For example, the government would subsidize the maintenance of educational, health care, social welfare, etc. institutions. For this reason I do not believe that the part of the legislative proposal which suggests that the National Assembly should determine annually the extent of subsidies is appropriate. This would place the autonomous governmental bodies into an impossible situation, because they would be unable to plan in the long term.

[Szabo] Aware of the fact that the church is poor, autonomous local governmental bodies could hardly make a living from central subsidies only.

[Gaspar] I advocate the idea that autonomous governmental bodies should own as much property as possible. They should receive within their area—except for private property, of course—the ownership of land, forests, grazing fields, public utilities, and real estate both in cities and villages, which they could then lease to producer cooperatives, state farms, factories, plants, and private persons. Aside from utilizing 30-40 percent of



personal income taxes, this could be their chief source of revenues. This, of course, could be supplemented by local taxes and other [revenue sources], for example, in recreational areas.

[Szabo] What are the tasks after the autonomous governmental bodies are established?

[Gaspar] First, and most importantly: The huge volume of decrees, prescriptions, directives, and rules which burden government administration must be weeded out. Parallel to this, the bureaucratic apparatus which has been bloated in an unhealthy manner during the past 40 years must be reduced by at least one-third.

[Szabo] Many people are talking about layoffs....

[Gaspar] Streamlining government administration must not be confused with any kind of layoff. Such matters may be guided only by professional considerations. In my view, persons working in specialized administration are also entitled to the constitutional right of being members of a party, denomination, church, etc. of their choice—but only outside of the office! In other words, a member of the Hungarian Socialist Workers Party [MSZMP] or the Hungarian Socialist Party [MSZP] who is professionally fit, and who has not compromised himself from a moral standpoint or is not burdened by an act that conflicts with the provisions of criminal law, must not be threatened by layoff because of his party membership.

#### **SZDSZ's Tolgyessy Interviewed on Compromise Between SZDSZ, MDF**

*90CH0105A Budapest MAGYAR NEMZET  
in Hungarian 5 May 90 p 4*

[Interview with Peter Tolgyessy, the leader of the SZDSZ [Alliance of Free Democrats] in Parliament, by Kertesz; place and date not given: "Civilized Relations Between Government and the Opposition Are Now Possible"—first paragraph is MAGYAR NEMZET introduction]

[Text] After the election campaign, a proportion of public opinion was surprised when the two major parties amazingly found each other. We interviewed Peter Tolgyessy, the leader of the SZDSZ [Alliance of Free Democrats] faction in Parliament and one of the signatories of the MDF [Hungarian Democratic Forum]-SZDSZ pact.

[Kertesz] What made the pact so urgent?

[Tolgyessy] The dilemma of the country's governability. It is a known fact that certain compromises were incorporated into the Constitution after the trilateral policy-coordination talks, and that subsequently the Ministry of Justice submitted further amendments which the National Assembly enacted. These changes included numerous disquieting provisions. Moreover, during the

last few months of its term, the outgoing Parliament also enacted several laws that are not compatible with the parliamentary system.

[Kertesz] In the end, did the MDF and the SZDSZ compromise, or did one of you get the worst of the bargain?

[Tolgyessy] In my opinion, we both are winners, but the biggest winner of all is the country itself. The discord between us has always been cause for complaint up to now. Well, we have now succeeded in putting an end to that discord. We have reached an agreement of the kind that is indispensable to the effective functioning of a parliamentary system.

[Kertesz] The apprehensive are worried primarily about the curtailment of the opposition's rights.

[Tolgyessy] That argument is not a valid one. Consider the two-thirds majority rule, for instance. Nowhere in the world does passage of tax legislation require a qualified majority. It is not at all desirable for the opposition to share the burden of responsibility for imposing taxes when it does not have any say in how the tax revenue is spent.

[Kertesz] Do you mean that if the introduced budget is passed with 51 percent of the vote and the entire SZDSZ faction voted against it, then it does not share responsibility for the budget's possible fiasco?

[Tolgyessy] No, it does not. Because passage of the budget requires a simple majority, and the new government will obviously have such a majority. In other words, it would be an extremely worrisome situation if the budget were the ruling coalition's concern, but the passage of tax legislation were to also require the opposition's consent. In effectively functioning parliaments, therefore, the ruling parties control both the budget and tax legislation. The essence of our pact is to give the government, and also the opposition of course, the rights to which they are respectively entitled. The two-thirds rule is retained for legislation affecting all fundamental rights and basic institutions. This applies to the courts and local governments, as well as to the Information Law, radio, TV, and the MTI [Hungarian Telegraph Agency]. I have always felt that the most important national media should be depoliticized, instead of languishing under the control of political parties. For that very reason a committee will be set up to oversee impartiality only *ex post facto*, unlike the ill-famed advisory board. In other words, the oversight committee will act only when somebody complains about a wrong that has actually occurred. The oversight committee will not be able to make day-to-day decisions or to interfere in the operation of a given medium. It will only call attention to whatever was wrong. Then it will be the duty and responsibility of the TV management, free of political party influence, to correct the situation.

I would mention also the representation of minorities. Recently the National Assembly enacted a very bad

solution: one that calls for appointing the deputies who will represent the national minorities. To appoint someone to represent, say, the German minority. Therefore we proposed rescinding that legislation, and have reached agreement with the MDF on introducing in place of the rescinded legislation the institution of a parliamentary ombudsman for the rights of national minorities. That institution is still unfamiliar in our country, but very many countries already have it. The parliamentary ombudsman will enjoy practically all the rights a deputy does, but he will have no vote. On the other hand, he will be able to act whenever he learns of a violation of a national minority's rights. The plans are to allow each national minority to elect its own parliamentary ombudsman. The safeguarding of the national minorities' rights will also be enhanced by letting the national minorities nominate their own national lists in the next elections, similar to the national lists of the political parties. Thus the national minorities will be represented in Parliament by their duly elected deputies, rather than by appointed representatives. Not to mention the possibility that the national minorities might win more than just one seat each.

[Kertesz] Are there any ideas for which you were unable to gain acceptance in the negotiations?

[Tolgyessy] Without mutual compromises, I believe, we would hardly have been able to conclude a pact to the satisfaction of both parties. We must learn that every will cannot fully prevail in politics.

[Kertesz] At that memorable press conference, Jozsef Antall said that his party's thinking on forming a coalition was unchanged, but that he would be holding talks with FIDESZ [Alliance of Young Democrats].

[Tolgyessy] Even with the 22 seats FIDESZ has, Antall would not command a two-thirds majority in the National Assembly.

[Kertesz] And if he nevertheless were to succeed in putting together a coalition with a two-thirds majority?

[Tolgyessy] To get a two-thirds majority, he would have to include the MSZP [Hungarian Socialist Party] in the coalition, and I do not consider that very likely. But I do think that fierce political struggle, which absorbs so much energy, can now finally cease in Hungary. Civilized relations can now develop between the government and the opposition. Naturally, we will remain the government's debating partners and critics, and even opponents of its programs. But we will do all this in the way that is customary in European parliaments. The government has the power and responsibility to govern. And the opposition, secure in its guaranteed rights, can wait for the next election, in the hope of winning it. Which does not necessarily require that we hamper the government in its work.

## POLAND

### POLITYKA Weekly News Roundup

90EP0557A Warsaw POLITYKA in Polish No 19,  
12 May 90 p 2

[Excerpts]

#### National News

The congress of the Polish Peasant Party formally ended the unification of two parts of the peasant movement: the Polish Peasant Party "Rebirth" and the Polish Peasant Party. The congress elected the highest officials of the party: Roman Jagielinski (age 43), a farmer with 47 hectares, was elected chairman of the Main Council; Roman Bartoszcze (age 44), a farmer with 12 hectares, was elected president of the Main Executive Committee. Gen. Franciszek Kaminski, commander of the Peasant Battalions during the war and recently president of the Polish Peasant Party (Wilanow), was elected honorary president. [passage omitted]

Richard von Weizsacker, president of the FRG, in a speech during the dinner given for President Wojciech Jaruzelski: "Mr President, Poland can rest assured without any reservations that the border question between us in its substance is irreversibly settled and that in the process of the unification of Germany it will receive an appropriate, binding international legal resolution in treaty form. The present Western boundary of Poland will remain inviolate." [passage omitted]

The plenary conference of the Polish Episcopate in conjunction with the state authorities has officially invited Pope John Paul II to pay a visit to Poland. The bishops called on the faithful to participate in the elections to the local self-governments. They also unanimously called for restoring religious instruction to the schools and for guarantees for such instruction in the constitution. A national catholic youth organization was also formed.

During his short visit to Warsaw, James Baker, the American Secretary of State, invited Poland to participate in the next stage of the two plus four debate in July 1990 devoted to the German problem.

Bronislaw Geremek, chairman of the Citizens' Parliamentary Club, during a meeting with journalists in response to a question whether the Citizens' Parliamentary Club will again participate in the parliamentary elections as one force: "The Club is varied and pluralist. There is, however, a basic group of common interests and values. Maintaining its unity then is the right course. The present political system should define its own temporal boundaries. The Citizens' Parliamentary Club has proposed the following calendar of changes. First, elections to the local self-governments; then near the end of the year the adoption of a new constitution; and parliamentary elections before the end of the second quarter of 1991." [passage omitted]

Lech Walesa during a meeting with the employees of the City Transit Enterprise in Gdansk who struck on the opening day of the Solidarity congress: "Strikes were good in the past; now, however, we have a democratic Poland. We must transform it together in spite of all the problems and poverty. Let's not return to what was; I will not support a Poland like the one we had. I am getting off this streetcar."

The Polish Press Agency has signed an agreement with the main office of Radio Free Europe on information cooperation.

The congress of the Association of Polish Journalists elected Maciej Ilowiecki chairman. He was for many years prior to martial law head of the science section of POLITYKA and later editor of PROBLEMY. Boleslaw Wierzbianski, editor in chief of NOWY DZIENNIK in New York, and Stefan Bratkowski, former president of the Association of Polish Journalists, were elected honorary presidents.

In 620 electoral districts there were no candidates for local self-governments. In more than 2,500, there was only one candidate. About 240 groups are contesting the elections, including about 80 political parties.

Beginning 7 May 1990, the price of coal will increase by an average of 5 percent. Shipping will be charged separately; until now the mines have paid it. Prices for energy will probably increase on 1 June 1990 as will rail shipping rates by 25 percent. [passage omitted]

And TRYBUNA reports remuneration in the Sejm at the end of March. Sejm Marshal 3.024 million zloty; deputy marshals 2.71 million zloty; deputies 1.020 million zloty; for deputies on unpaid leave from their jobs 620,000 zloty; commander of the marshal's guard 1.035 million zloty. [passage omitted]

The extraordinary congress of the Association of Polish Lawyers has elected a new president: Prof. Aleksander Ratajczak, a specialist in criminal law at Adam Mickiewicz University in Poznan. [passage omitted]

### Opinions

*Prof. Dr. Czeslaw Janicki, deputy premier, minister of agriculture:*

(Interviewed by Danuta Jezowska, TYGODNIK ROLNIKOW SOLIDARNOSC 22 April 1990)

[Question] In the Szczecin Voivodship, an activist for Solidarity of Individual Farmers recently called for parceling out the state farms among farmers brought from Little Poland.

[Answer] I am not enthusiastic about such proposals. We have already experienced the migration of people, and we know what the costs of adaptation are. Moreover, there are people already living and working on these farms. Are they to feel threatened?

[Question] And the state farms as partnerships with foreign capital?

[Answer] In some cases, the state assets could be leased by organizations with foreign capital, but never as regards the ownership of the land. As regards the sale of land we are retaining a permanent ban on foreigners. Thus, in spite of the ending of the limit of 49 percent on foreign capital in partnerships, this percentage in agriculture has no chance of being increased.

*Prof. Dr. Jozef Kaleta, economist at the Wroclaw Economics Academy:*

(Interviewed by Piotr Gabryel, WPROST 6 May 1990)

[Question] How much time do you give Mazowiecki's government? How much time do you give Deputy Premier Balcerowicz?

[Answer] In particular, I emphasize that there are no governments of "last hope," of "the last chance." After each of them, there is another, perhaps a better one. If Mazowiecki's government does not make any basic changes in its economic program—corrections no longer suffice—in a prosupply direction, then . . . the recession, unemployment, the standstill in construction, social dissatisfaction, the lack of future prospects will increase. After the summer vacation, when the army of the unemployed is enlarged by the 500,000 graduates, the social mood will worsen further.

[Question] Would you have the courage to wrestle with the Polish economy?

[Answer] Fortunately, I have no chance because recently I became an unaffiliated person and do not belong to any political groups, and politics runs the economy. Although the politicians who are running it now came to power on a platform of complete depoliticization and submitting completely to economic rigors. But that is how it is with politicians.

## YUGOSLAVIA

### HDZ Leader Petar Sale Interviewed

90BA0131A Zagreb VJESNIK in Serbo-Croatian  
16 May 90 p 3

[Interview with Petar Sale, member of the HDZ [Croatian Democratic Community] Central Committee, by Ivica Marijagic; place and date not given: "Anyone Who Does Not Accept the New Authority Is Against Croatia"—first paragraph is VJESNIK introduction]

[Text] Petar Sale, a lawyer from Zadar, a newly elected deputy in the Assembly, a member of the HDZ [Croatian Democratic Community] Central Committee in Zagreb, vice president of the Croatian Society of Political Prisoners, and most recently a politician who is very prominent on the political scene in Zadar and Croatia, discusses the political trials after the "Croatian Spring" in

1971, his own road from jail to the Assembly, and the current political situation in Croatia.

[Marijagic] A few days ago the headlines "Sale Goes to the Assembly" appeared in the newspapers, whereas just 15 years ago the headlines read "Sale Goes to Jail" or "Terrorist Sale Goes to Prison." How do you view that turnabout and the road from political anathema to a deputy elected by the will of the people—from a historical perspective, a rapid and abrupt turnabout?

[Sale] It reminds me of the process of the political constitution of Yugoslavia and of Croatia within it. It is a question of a political relationship, and I do not see anything particularly new in it. What I experienced was also experienced by many other people, both my contemporaries and others throughout history. All of this was also experienced much earlier by Stjepan Radic, and the one constant factor has been that people oppressed us wherever and whenever they could. Today the same material has been used to write the biographies of many people who were elected to the Assembly a few days ago by the will of the people, and who were given a tremendous, plebiscitary vote of confidence. They include Dr. Franjo Tudjman, Stipe Mesic, Davor Aras, Zvonimir Markovic, and others, i.e., a whole nucleus within the new Assembly.

[Marijagic] Won't your "reminiscences" of those prison cells more or less influence how you handle the authority you have obtained?

#### Bestial Tortures

[Sale] No. We have rejected such hypothetical insinuations countless times. We all hardened our mental health during those bestial tortures in prison. As far as I know those with whom I served time, and myself, none of us has a desire for revenge, or even any anger. Today we have come into our own, by the very fact that in the first multiparty elections we won the people's confidence and came to power as a means of establishing a law-governed state, which Croatia has deserved, but never had in the past. That was also the purpose of our public statements after getting out of prison, and not revenge.

[Marijagic] You served five years in the Stara Gradiska prison. On what charges? And how are they perceived today?

[Sale] My story of that time is more a story of the legal system at that time, which is still present to some extent today. It is a story of the party and its Stalinist use of power, and the courts and the SUP [Internal Affairs Secretariat] as the offspring of that totalitarian mechanism, and less a story about myself as a person who suffered.

After the well-known events in Karadjordjevo, they issued a warrant for me and sought to arrest me. I was lucky, and escaped to Belgrade, not to avoid punishment, but to graduate from the Law School in Zagreb. Every Friday I traveled from Belgrade to seminars in

Zagreb, while the militia was constantly searching for me. When I finished my exams and graduated from the school, I called the militia and simply said, "Here I am!"

After I surrendered in Zagreb, I was transferred to Zadar. Investigating judge Dragutin Golic (the current Republic Undersecretary for Justice and Administration) took charge of me, and Judge Ladislav Judnic (who is still a judge in Zadar today) sentenced me to two and a half years in prison for allegedly organizing a strike by students and employees of the Philosophy School and the Pedagogical Academy in Zadar under instructions from the Zagreb Student Alliance, and for having said that Croatia had been plundered, that it did not have a finished foreign exchange system, and that its labor force was leaving for foreign countries because of the existing political relationships.

#### The Karin Incident

Another thing I was charged with was the well-known Karin incident. I stated that it would not have happened if there had been more Croats in the police, and that we wanted a Croatian police force and army. I actually said that, thinking that there should be more Croats in those services. But even if those are criminal acts, they are verbal in nature, and above all, they are definite and irrefutable statements, equally relevant today.

[Marijagic] How did the judge explain the verdict, and what did he base it on?

[Sale] He did not accept any of the defense's arguments. Ladislav Judnic simply worked on my case and the others in accordance with his instructions from the party and from Tito. There was no evidence, except for the evidence that Dusan Badza from Obrovac, an old and new deputy in the Assembly, tried to present. Badza submitted several notes with my statements, and it was later claimed that they were written after the disputed date, which is completely and obviously naive. But Judnic believed Badza, while I denied the truth of Badza's claims. In response to a question from the judge about why I did not believe him, I answered that it was because Badza was a Serb and I was a Croat. He and his father attacked me as Greater-Serbian nationalists, which was also confirmed later on. That was in 1972, and after an appeal and 18 months, the Croatian Supreme Court reduced the sentence to 18 months. I was supposed to go to serve my sentence in June, but the Zadar police picked me up at my apartment a week before that.

[Marijagic] So you hadn't even left for prison and you were already arrested again?

[Sale] Not just me. There were a total of 13 of us, who were arrested during those days and nights. The indictment was serious and unforgivable: we had allegedly organized ourselves into the Croatian Liberation Revolutionary Army [HORA], whereas I did not even know many of those people at all, nor did they know me. We allegedly planned—and that was in the indictment—to



destroy bridges, burn forests, poison water, commit murders, and even buy submarines.

[Marijagic] Who drafted that indictment?

[Sale] District Public Prosecutor Zdravko Dragic and his assistant, Marko Marinovic. It was evident immediately that we had been convicted even before the trial itself. A terrible atmosphere was created in Zadar (everyone, from veterans to youth, was demanding that we be shot). They did not find any evidence at all for such terrible charges, even though they searched our apartments.

Joso Vidakovic, at that time an employee of the State Security Service (and today the director of the Philosophy School), detained Davor Aras, also a newly elected deputy in the Assembly, and submitted a written statement against me in court during the first trial, not having the courage to appear. Today he is acting like a persecuted person in Zadar (in the so-called monitoring scandal), but arrested people mercilessly himself. It was only at Mestrovic's place (one of the defendants) that they found an old pistol without a firing pin, and as such unusable, and two empty bottles of Coca-Cola. That was all the evidence.

[Marijagic] Why the bottles of Coca-Cola?

[Sale] The republic report claimed then that they were a means of sabotage, if one filled them with gasoline, threw them into a forest, and started a fire. And that was the way it was for every charge—no proof at all.

Am I really idiot enough to poison water knowing that my own family will suffer from it, along with others? In my family there are eight brothers and sisters, all of us are married, and I have about 50 close relatives—now, how can I plan to poison water? It is pitiful, but the lack of evidence did not interest Ladislav Judnic, Dragutin Bolic, and Petronila Miodrag. Petronila Miodrag sentenced me to eight years at hard labor for the first court conviction, together with the first one. The others received different sentences, from one to 13 years. The longest sentence was given to Bilusic (13 years), because he was the most outspoken and attacked the party and Tito during the trial itself.

We actually did have a slogan at the Philosophy School in Zadar. We wrote, "Mika and Savka—down with terror." At that time it was a serious accusation.

[Marijagic] Why do you think those people put you on trial like that?

[Sale] First of all, because they had to, on orders from the party, and then also because that trial was a stepping-stone in their careers. As a lawyer and as a politician, and also as the vice president of the Croatian Society of Political Prisoners, I will request the reopening of my trial and others in Croatia that took place at that time. Today I stand fully behind the position that there are people who cannot perform such work. Isn't it absurd that a judge who sentenced people to more than 100 years in prison is still a judge and is even the president of

the court, as is the case with Petronila Miodrag in Zadar? They did not work in accordance with the law, or with morality and legal principles. That is why I think that they are not suitable for such work. Today we need nonparty judges who will judge by the letter of the law, and not by instructions from the LC [League of Communists] or any other party.

It would be correct, at the very least, for them to resign by themselves, and withdraw. The reopened trial will reveal who violated the law, and arranged and ordered the trials. That was the longest trial ever held in Zadar; it lasted almost four months. They did not let me go home from detention. My child was being christened at home, but Petronila Miodrag not only did not let me leave; she even prevented me from looking at pictures of that christening, because allegedly a priest could be seen in them.

I protested in writing, and stressed that she was tormenting me because she was a Serb, although she was not; she was just married to a Serb. Because of that protest, judge Vlado Mikolcevic "added" another six months in prison, which amounted to a total of 6.5 years. That is the only case in any legal system in which a solitary cell has been turned into an act against the state and the people, as it was characterized, and moreover because of the most ordinary complaints about the behavior of a judge. Unbelievable!

Those people should know that we will deal with that. We want a legal system, and not an ideologized police and judicial system—let that be clear to everyone.

[Marijagic] Your stay in prison, like others from that period, has been very convincingly portrayed recently. Can you say something about the period after that?

#### Veto on Employment

[Sale] Afterwards I wrote about 200 job applications, and I still have all of them today. A "veto" on any favorable decision on my applications always came in advance from the Zadar party committee. My wife was thrown out of work at the Zadar Medical Center, with the explanation that she was morally and politically unsuitable because she was my wife. That decision was signed by Dr. Milan Basic, who today is the head of the Primary Protection Service. She was out of work for three years, and we did not have any income at all. Afterwards she was employed again at the same institution. I barely managed to get a job at the Zadar ZTP [railway transport enterprise], and recently I have been a lawyer in Zadar.

[Marijagic] Today you are one of the committed people in your party. There are different opinions about that; some people say that at first you were an opponent of it?

[Sale] That is not correct. Together with Davor Aras and other people in Zagreb, I helped to found that party. After the well-known schism occurred, after which the HDS [Croatian Democratic Alliance] emerged, I was like

a neutral party in the commission that was supposed to reconcile the two factions. Later, when it was seen that the differences were irreconcilable, I joined the HDZ. Until then it was logical that I not belong to either party, precisely because I was one of the people trying to unite them.

[Marijacic] There are views and accusations today that the HDZ is authoritarian and that in some respects it is a Stalinist organization.

[Sale] Those accusations appeared after the first HDZ General Assembly in Zagreb. There are neither authoritarian nor totalitarian figures in the HDZ. I do not know who that could apply to. We create our policy jointly: the Presidency, the Central Committee, and now the party's Main Committee.

[Marijacic] What is your vision of Croatia like?

[Sale] The program that we offered the voters was accepted by plebiscite; the primary thing in it is the genuine sovereignty of Croatia.

[Marijacic] But the Communists are saying that what you are promising is already written in their constitution.

#### **Treaty Relations in Yugoslavia**

[Sale] They will not do anything to realize that sovereignty, however. It cannot be limited or consumed, as Kardelj said, according to whom the sovereignty was expended by entering into the federation. We assert that we will resolve all relationships in Yugoslavia and outside it by treaty, but a treaty can also be broken. Accordingly, we are transferring as much activity, and not sovereignty, as is transferred by an agreement.

[Marijacic] And what about the economic program? In fact, some people say that you do not have one at all.

[Sale] That is not correct. We have an economic program, but we did not stress it, because it cannot be realized until Croatia achieves full sovereignty and freedom.

[Marijacic] As the first government elected by the will of the people, you will be particularly judged by results, in view of your big promises.

[Sale] And we should be. We will not try to make the inherited chaos an alibi before new elections, but I assert that results will be shown before the next elections. Otherwise, if no results are seen, then that will be a sign that we have not earned the voters' renewed confidence. Only, I repeat, that will not happen overnight. I hope that our voters will have confidence and patience.

[Marijacic] And finally, there is a sensitive and unavoidable topic. There are indications, but also concrete evidence, that the HDZ is not accepted by the Serbian population. How can life together continue in those ethnically mixed areas—and here the northern Dalmatian area is particularly sensitive? What can be done so that the Serbs here do not feel threatened while the HDZ is in power?

[Sale] That is obviously the most sensitive issue. But if we offer a position according to which all citizens of Croatia are equal in rights and obligations, and if that is a European, world, and civilized accomplishment, then everyone is obliged to accept that honest and decent orientation. If the Serbs really do not accept the new authority, that will mean that they are against the Croatian national state and that they do not love their Croatian homeland, but want a Greater Serbia. At this time, anyone who does not accept the authority of the HDZ is against Croatia. I am convinced, however, that they will accept reality, as a situation that cannot be changed, especially not by force, and that they will find the place that belongs to them within that.

## HUNGARY

**Soviet Response to Complaints About Deteriorated Barracks**

25000730B Budapest MAGYAR HIRLAP in Hungarian  
17 Apr 90 p 3

[Unattributed article: "Response by the Soviet Southern Command: Withdrawal Will Continue To Be Open"]

[Text] Soviet Southern Command press officer B. Komarnickij forwarded the following letter to our editorial offices in response to our writing concerning the conditions that prevail in the former Soviet officers' quarters at Baja.

"I consider it important to note that, consistent with our agreement, we are transferring barracks and other objects to the Hungarian Ministry of Defense based on the evaluation of competent committees appointed by the Soviet and Hungarian parties [to the agreement].

"The experience gained from the 1989 troop withdrawal proved that all barracks were transferred in usable condition; there was not a single case in which barracks were intentionally damaged. This is proven by memoranda of transfer, television recordings, among them recordings made by Hungarian Television aired in 1989 during the period of Soviet troop withdrawals.

"Prior to the departure of troops some 'Open Doors Days' were organized. In the course of these the Hungarian public and representatives of the mass communication media could see for themselves that the barracks were not in such bad condition as the press would have them believe at present. For example, the 12 April issue of your newspaper presents a photograph of one of the demolished buildings at the Baja barracks. It is hard to imagine that the memorandum of transfer would have been signed had the building been in such condition on 24 May 1989. This memorandum does not mention a single word about damage done to the building, not to mention intentional destruction. At the time the memorandum was signed the barracks were transferred to unit 7809 of the Hungarian National Defense Forces for purposes of guarding and temporary use. The article presented by MAGYAR HIRLAP failed to designate the date when the Baja objects were transferred, and this provides a false view to the reader.

"As advocates of openness it is our continued intent to invite representatives of the Hungarian mass media to events related to troop withdrawal, and to show the vacated barracks and residential buildings, parks, warehouses, and other objects."

**Official Statement on Debrecen Airfield Issue**

25000730C Budapest MAGYAR HIRLAP in Hungarian  
18 Apr 90 p 3

[Unattributed article: "The Parties Inspect Debrecen Airfield; Schedule of Soviet Troop Removal"]

[Text] On behalf of the interministerial committee to coordinate Soviet troop withdrawals engineer Colonel Imre Mentés informed the Debrecen City Council as well as the local representatives of various [political] parties on the position taken in regard to the transfer of the airfield located within the city limits. He requested that those present not argue with the Soviet party local issues concerning troop withdrawal in the press, because this renders the task of the interministerial committee authorized by the government more difficult.

At the same time, Mentés promised that representatives of [political] parties will be able to participate in the workings of the expert group that is authorized to deal with the transfer of the Debrecen airfield, and that they will inform the public regarding this matter through the press. At present the exploration of financial issues and issues concerning cooperation related to the stationing of Soviet troops in Hungary is in progress. This pertains to the period prior to 1956. The public will be informed if these materials are rendered in a form subject to evaluation.

Both the Hungarian and the Soviet negotiating partners have various documents, invoices, and other accurate financial accounting documents for the period from 1957 to the present. These documents, however, which serve as the basis of negotiation, contain certain discrepancies, and the reconciliation of these can be accomplished only at the national level. This has been revealed in the course of previous discussions.

With reference to the article presented in Tuesday's NEPSZABADSAG, Colonel Mentés denied that transfer of the Debrecen airfield would begin this week. On-site inspection will take place in the upcoming days, and representatives of local parties will be invited to it. Mentés also denied a statement according to which they planned to negotiate or initiated negotiations with the Soviets last weekend.

The article also dealt with the ownership issue, relative to which representatives of the interministerial committee announced that, pursuant to the troop withdrawal agreement signed in Moscow, [these matters] will be settled according to Hungarian law. He mentioned as an example that the property rights to the area alone will not decide even in Debrecen who owes [what] to whom. One must consider the fact that the Soviet airfield at issue, its equipment and its infrastructure, were built in part with Soviet investment, even though they were built on Hungarian territory.

**Military Grounds To Be Transferred to Civilian Use**

25000730A Budapest MAGYAR NEMZET  
in Hungarian 26 Apr 90 p 4

[MTI [Hungarian Telegraph Agency] report: "Consistent With Armed Forces Reform: The Defense Ministry Will Surrender Management Rights to 23 Shooting-Practice Fields and 53 Exercise Fields"]

[Text] According to plans, between the second half of this year and the end of 1991 the Defense Ministry will surrender management rights over 23 shooting-practice fields and 53 exercise fields, ministry spokesman Colonel Gyorgy Keleti said. He stated that, consistent with Hungarian armed forces reform, troop reductions, and the withdrawal of Soviet troops, the ministry reviewed the situation of shooting-practice fields and exercise fields used by the Hungarian National Defense Force and by the Southern Command of the Soviet Army. A detailed appraisal and assessment of the value of areas under military management is already in progress.

In the recent past Ministry of Defense leaders have considered which shooting-practice and exercise fields could be transferred for civilian use. In the course of this effort they have conferred with persons in authority at the Environmental Protection and Water Resources Management Ministry, and at the Ministry of Agriculture and Food. The goal of the Defense Ministry is that in the future only those areas which are indispensable from the standpoint of military training will remain under their management. As a result, more than 20,000 hectares of arable land will be transferred for agricultural use, and several just complaints by the populace concerning noise pollution will come to an end. According to the plans they will transfer shooting-practice and exercise fields, among other places, in the Kecskemet, Kunszentmiklos, Vertesszolos, and Baj areas. The ministry plans to transfer for civilian use virtually all areas used thus far by Soviet troops. This will take place parallel with the removal of these troops. This applies to the Hortobagy and the Kiskunsag National Parks, and to the exercise fields in the Nagykanizsa, Tata, Esztergom, and Pakozd areas, all of which are considered nature reservations.

#### **Supersecret Ammunition Storage Facility To Be Dismantled**

*25000730E Budapest NEPSZABADSAG in Hungarian  
12 May 90 p 4*

[Article by "Sz. B. L.": "Removing the Gunpowder From Pusztavacs—Report From a Secret Ammunition Storage Facility"]

[Text] Major Generals Dr. Jozsef Ungvar and Jozsef Kelemen, the officers in charge of ammunition storage at the Ministry of Defense, held a press conference and demonstration at the Honved Forces' ammunition supply depot at Pusztavacs. This is the first time a civilian journalist has been allowed to set foot in this super secret ammunition base.

Some 50 journalists gathered to see the ammunition storage and renewal activity at the base, which for security reasons is located in a 100-hectare area. The ammunition supply of the Hungarian Honved Forces is stored at several places in the country; the one at Pusztavacs is the largest depot. The related repair base

and materials testing laboratory performs the dismantling, examination, and repair of ammunition. A large part of the base was built in the 1950's, thus, although several of its parts have been renovated, it hardly complies with the requirements of the 1990's.

At a press conference following the demonstration the persons in charge announced that the Hungarian Honved Forces and the Ministry of Defense intend to accomplish the announced force reduction, military reform, and reorganization of the entire structure in the course of a two-year period. Reduction in military technological implements will be substantial; it will amount to about 40 percent. The quantity of ammunition will be reduced by approximately the same ratio. Selling the ammunition would be the best solution from a financial standpoint; this, however, cannot be accomplished because of a government resolution prohibiting the sale of materiel abroad.

In regard to the 64,000 tons of ammunition, composed of 128 types, journalists were told that the related value at today's prices is about 10.5 billion forints. Military technology and ammunition to be used after the military force reduction will be transferred to barracks that are no longer used (Szabadszallas, Nyiregyhaza, etc.), and will be used for training purposes in the future. We are taking over ammunition storage facilities from the withdrawing Soviet troops in Taborfalva, for example, but we are not receiving any ammunition from them because we have surplus supplies.

The warm water, heavy nitrate content mass created in the course of renewing and purifying ammunition will be neutralized, dried, and incinerated in huge synthetic tubs. In response to our question Lieutenant Colonel Istvan Czinger, the expert in this field, said that the burning of the dried mass does not pollute the environment, because it does not produce a chemical reaction. They will stringently observe environmental protection rules at every step, thus there is no way the nitrate will be absorbed into the soil. This is the only way this can be accomplished due to the high risk of explosion; other industrial use would be highly inefficient from an economic standpoint.

The renewal work being conducted at the base enables great financial and technical savings for the Honved Forces as well as for the national economy.

## **POLAND**

#### **Deputy Minister for National Defense Defines His Political Role**

*90EP0587A Warsaw SZTANDAR MLODYCH  
in Polish No 91, 11-12 May 90 p 3*

[Interview with Deputy Minister for National Defense Bronislaw Komorowski by Grazyna Minkowska; place and date not given: "There Were No Generals in the Opposition"]

[Text] [Minkowska] One day you became appointed Secretary General of the Polish Community, and the next, Deputy Minister for National Defense. Are you not afraid of being labeled as yet another technocrat?

[Komorowski] I have been preoccupied for years with Polonia [Poles abroad] issues, so let me say that this role and institution fit me well. In my new job I am to deal with educational questions, and this does not require the specialized background that is needed by, say, the commander of a division or an artillery battery. To complete this explanation, I had been working as a teacher for many years, I am a historian by training, and I have edited a couple of periodicals and have practical experience in educational problems.

[Minkowska] But still this was a political appointment. What does it signify, in your opinion?

[Komorowski] My political role consists in depoliticizing the army.

[Minkowska] But this in itself requires a more detailed explanation.

[Komorowski] The officer corps and the servicemen have been very painfully sensitive to the so-called second steering [party guidance]. I intend to abolish it and not to replace it with any other political guidance whatsoever.

[Minkowska] Why were you in particular selected?

[Komorowski] I think that Premier Mazowiecki was in a difficult situation. After all, there were no army generals in the political opposition. And hardly anyone would consider it a felicitous solution to advance some Solidarity-sympathizer sergeant to that rank. Hence, the premier chose the only available solution: he appointed civilian deputy ministers, Janusz Onyszkiewicz and myself, without dismissing the professional staff.

[Minkowska] To whom then do you feel yourself subordinated? To the minister for defense or to the premier?

[Komorowski] I perceive no conflict here. I was appointed to this position by consent and, I believe, complete approbation of the minister for national defense. Appointments of this kind are a result of talks held by the premier with both the commander in chief of the armed forces and the minister for national defense.

[Minkowska] But you are surely encountering certain apprehensions about yourself. For example, do differences in view arise concerning the interpretation of national security?

[Komorowski] There still are certain barriers, and apprehensions as well, to overcome, mutual ones. But I believe that among the military, including the highest military leaders, there are many supporters of these changes relating to the changed social situation in our country. As for interpreting national security, I can speak of my own feelings and views.

[Minkowska] To what extent do you support the stationing of foreign troops.

[Komorowski] Let us speak openly—Soviet troops. In my opinion, our national security depends chiefly on us ourselves, and on our army. This should be perceived by the society as the fundamental guarantee of our national interests, our sovereignty, and the permanence of our boundaries. The Soviet Army is stationed on our territory for many reasons. But I would never say that its presence is the principal safeguard of our boundaries and a fundamental element of our security.

[Minkowska] In your opinion, what are the most urgent changes and measures needed in the Polish army?

[Komorowski] The army reflects the society and the Polish state. I personally do not view myself as a kind of Bolshevik commissar who is to place the army on a vigilant footing and restructure it according to his own prescription. I would rather unblock certain processes within and without the army. Above all, I would like to facilitate mutual contacts between the army and the milieux which have had previously nothing in common with it or felt exceptionally hostile toward it. To accomplish this, much has to change not only within the armed forces but around them.

[Minkowska] So far the ruling principle was and perhaps still is that advancement upward of a certain rank requires graduating from the academy in Moscow. Will you change or retain this principle?

[Komorowski] This principle no longer applies. Besides, recently it has no longer been followed.

[Minkowska] Will it be replaced with another?

[Komorowski] I understand that I am being asked about training Polish officers in the West. So long as we lack a good Polish military school, we have to avail ourselves of foreign ones. Of the Moscow ones, too, although that will not be the sole orientation. This is being done worldwide. Besides, we too are training foreigners.

[Minkowska] Which ones?

[Komorowski] I am not sure whether this is classified information, so just in case I prefer not to answer this.

[Minkowska] Then let us consider information which is certainly not classified. One of the demands of the opposition was the liberalization of military service. It was a popular demand, meeting the expectations and mood of youth. Nowadays, according to the findings of the Institute for Youth Surveys, only 29 percent of Poles are positively disposed toward military service, and the attitude of 40 percent of young people is negative. In your new role, what will you do about this difficult educational issue?

[Komorowski] I have never belonged to that faction of the opposition which demanded abolishing military service. I have been close to groupings which defined



themselves as the proindependence orientation. In our thinking major importance was placed on finding a common language with the army and giving it a new impetus, winning it over to the process of democratic changes and recovery of independence rather than destroying it. This does not mean that I have been blind to the problems with the attitude of youth toward military service either. The legacy of our past includes an undermined authority of the army and a changed attitude toward it.

[Minkowska] There is no communism in the West, yet young people over there also do not want to join the army.

[Komorowski] Agreed, but superposed on our problems are certain general tendencies which arose during the same period.

As known, communism has ceased to exist in our country, and I hope that the army will be perceived as an apolitical and fully national force. I think that this will alter the approach to military service. On the other hand, I believe that the current worldwide tendency of reluctance to subordinate oneself to rigorous orders and relinquish individualism has to be considered. A way out would be a contract-type army, that is, a professional [volunteer] army. But at the moment we cannot afford it.

[Minkowska] Since we are now talking about money, insofar as I recall, the opposition claimed that the army, like the militia, soaks up too much money. If any savings have been explored, it was precisely in these budget line items. Will you as a deputy minister now ask for increasing military spending?

[Komorowski] For the time being I have other proposals. I think that our army can be cheaper through internal changes. It can be made more efficient without resorting to hugely expensive additional armaments. But I must consider that both restructuring and... disarmament are unusually costly. On the other hand, a strong army does not hinge on the number of its cannon and tanks alone.

An army is strong owing to its morale and the feeling that it has the support of the society, the belief that it represents the entire society.

[Minkowska] In brief, you will not ask for additional spending, will you?

[Komorowski] No.

[Minkowska] Raising the army's morale is the domain of educational measures. Do you intend to utilize for this purpose other elements of tradition than in the past?

[Komorowski] I expect that my interest in Polonia themes will be useful. I want to restore that part of the military tradition whose inheritors and continuators are the political and independence-minded emigre milieux of the World War II period.

[Minkowska] But do not you fear that the sudden turn-about which we are now experiencing, the elimination of some elements of the tradition and their replacement with totally different ones, would, instead of producing the expected results, confuse many people and weaken faith in any national tradition whatsoever?

[Komorowski] On the basis of my observations so far, admittedly fragmentary and brief ones, I believe that the military view it as an urgent need to abandon the customary narrowly focused interpretation of our tradition. The army is aware of the entire richness of the martial history of Poland, both domestic and foreign, and both in the chronological and the political sense. The patriotic education of troops has room for various aspects of the Polish military tradition, and I feel certain that this will ideally match the public expectations. The army had been subjected to an extremely strong political pressure, but this does not mean that that pressure was crowned with success in transforming the mentality, outlook, and patriotic feelings of the troops. Proof? Just consider that in the elections of June 1989 Solidarity was the winner in closed military districts. The army cannot be made to feel like a poor relative, because then both it and we would feel uncomfortable.

## GERMAN DEMOCRATIC REPUBLIC

**Minister Interviewed on Unemployment, Poverty**

90GE0109B Hamburg DER SPIEGEL in German  
14 May 90 pp 123-126

[Interview with Dr. Regine Hildebrandt, GDR minister of Labor and Social Affairs, by Dieter Kampe and Hartmut Volz; place and date not given: "Our Situation is Desperate"—first paragraph is DER SPIEGEL introduction]

[Text] Regine Hildebrandt has been head of the East Berlin Ministry of Labor and Social Affairs since April. In addition, the Social Democrat is responsible for the construction of a network of employment offices in the GDR. Prior to the turning point, the biochemist, who holds a Ph.D., was active in the "Democracy Now" citizen's movement before she joined the SDP [Social Democratic Party of Germany] with her husband in October last year "for reasons of necessity." Regine Hildebrandt, 49, is seen as the opponent of CDU [Christian Democratic Union] Minister of Economics Gerhard Pohl.

[DER SPIEGEL] Ms. Hildebrandt, the threatening mass unemployment in the GDR is now no longer seriously questioned. Experts only disagree about its level—1, 2, or 4 million people in this country. How many unemployed do you fear?

[Hildebrandt] I must admit I would prefer to rid my conscience of the term mass unemployment because this situation represents a new, big threat for me as it does for all citizens of the GDR. For that reason I never quote numbers no one knows anyway or can possibly know. I consider the estimates of 100,000 to 300,000 by Heinrich Franke, president of the Nuernberg Federal Institute of Labor, to be optimistic. However, estimates of 2 million and more are clearly exaggerated.

[DER SPIEGEL] The threat is becoming reality. Many concerns are facing collapse.

[Hildebrandt] We lived in this country for decades without really knowing the term unemployment. We had a guaranteed job at any rate—even if poorly paid. This security is gone in one fell swoop. People in the GDR cannot cope with this phenomenon.

[DER SPIEGEL] Do you anticipate civil disturbance or mass demonstrations? The first token strikes have already occurred.

[Hildebrandt] The tolerance capacity of the population in general is relatively great. The will to resist and to rebel is underdeveloped in my opinion.

[DER SPIEGEL] Do you want people to take to the streets?

[Hildebrandt] Of course, I do not want any demonstrations for heavens sakes! My concern is that employees must learn to assert their rights or, if need be, to sue for them.

[DER SPIEGEL] Who is supposed to be sued for what?

[Hildebrandt] At this time, we have conditions in the GDR similar to early capitalism. Managing directors treat people, employees, in a manner that is not acceptable to me and should not be accepted by the people affected.

[DER SPIEGEL] Who does it affect first in the concerns?

[Hildebrandt] Single parent mothers that are discharged without putting up a fight. Or the disabled who sign their own termination agreement. These people are pressured until they actually leave of their own accord. Many sectors of our society are in a state in which fear of the future obstructs self-confidence and even motivation.

[DER SPIEGEL] The pressure comes nonetheless. Workers take to the streets by the thousands like last Thursday. What do you want to do about it?

[Hildebrandt] Immediate measures such as price reductions and increasing retail trade must be implemented against this. In addition, we must create an outlook. The question is shall I finance unemployment or shall I finance retraining and new training. We will quickly offer qualification programs and employment measures in order to protect people from the mandatory departure from an employment relationship into unemployment. For example, we must create the prerequisites for making an employer out of a defunct concern.

[DER SPIEGEL] What does that mean?

[Hildebrandt] That means that employees participate in a training program financed with public funds while at their old place of employment. Currently, M 200 million are earmarked for such retraining measures in the budget.

[DER SPIEGEL] Do you know of a single concern in the GDR that would survive without terminations?

[Hildebrandt] No, there will certainly be hardly a concern that can enter the new period of market economy without a diet for well-being. However, it certainly is a difference if 10 or 20 percent of the staff must leave or whether the entire business collapses. One is controllable, the other one is not.

[DER SPIEGEL] Which branches, then, have been most affected until now?

[Hildebrandt] At the moment, the shoe industry, the textile industry, the electronics industry, and even the food trade and semiluxury foods and tobacco producers. Tragically, retail firms refuse to carry the products of these firms in their stores at all.

[DER SPIEGEL] Retail trades are hardly accepting products from their own country because customers demand products from the West. Do you see any possibilities for influencing trade and the consumers?

[Hildebrandt] There are some first signs. For example, as a first step we reduced the price of expensive exquisite textiles in order to get the goods out of the warehouses. One simply must work more flexibly.

[DER SPIEGEL] This only reduces overproduction of recent weeks and months. That does not guarantee any jobs.

[Hildebrandt] I am concerned with the influence on prices. We must keep this in check for a time—perhaps with consumption taxes on Western products and limited subsidies for select local goods.

[DER SPIEGEL] So no quick market economy after all if the GDR's minister of Labor has her way?

[Hildebrandt] Of course, I know that this would be strenuous. We would then not have competitive conditions again like they actually should be. However, if we want to prevent mass unemployment from overcoming us like a natural event and destroying established economic structures to an unnecessary degree, then we must resort to such means in a period of transition. From a national economic standpoint, this makes more sense than letting the whole store collapse.

[DER SPIEGEL] The chance of a slow, careful alignment of the GDR economy to West German standards, in other words with transitional deadlines and protective duties, has certainly been passed up because of the quick currency union.

[Hildebrandt] The last word about the government agreement, the conditions of the currency union, has not been spoken yet. Negotiations are still in progress. I am concerned about transitional regulations lasting several years such as the ones granted to Portugal, Greece, and Spain upon joining the EC. In Lothar de Maiziere's inaugural speech he said, "As much market as possible, as much government as necessary." I am laying claim to that now.

[DER SPIEGEL] What, for example?

[Hildebrandt] There is more than enough work. Take the condition of our cities, Leipzig or Dresden. Take a look around in the brown coal mines in Cottbus. Try to swim in the Elbe. The entire country is so dilapidated that immediate action is necessary. There is enough work for hundreds of thousands for years. Government infrastructure programs must....

[DER SPIEGEL] ...and be paid for by Bonn.

[Hildebrandt] Of course, but on the day of currency conversion there will be GDR savings in West German marks that do not have to end up exclusively in the euphoria of consumption.

[DER SPIEGEL] Instead?

[Hildebrandt] I envision attractive government investment programs with which private funds can be raised to finance the infrastructure.

[DER SPIEGEL] Such programs would not even get by your own government. Your CDU colleague, Pohl, thinks it is enough to create legal general outline conditions to bolster initiative. This is the only task of the government.

[Hildebrandt] I do not believe that Mr. Pohl still assesses the situation so modestly. We are all very capable of learning; this comes with the problems we have to solve economically and sociopolitically. For example, my colleague, Minister of Trade and Tourism Sybille Reider, adopted a market promotion package for selling especially difficult GDR products like shoes and leather goods last week. The coalition plans to forego about DM500 million in product-related taxes in May and June alone.

[DER SPIEGEL] Even if the coalition in East Berlin should agree, would Bonn go along with such expensive subsidies? Minister of Finance Waigel already said clearly that the GDR would have to cover its own social expenditures quickly by itself; Minister of Economics Haussman categorically rejects wage subsidies.

[Hildebrandt] Then Bonn also has to pay the price for mass unemployment. The point is: if we want to modernize the economy, it should not go bankrupt beforehand. Transitional regulations must be effectuated everywhere concerns have an opportunity to modernize. We still have motivated employees in the GDR who, with some qualification, would be able to tackle these future tasks. Only when people fall into the depths of unemployment and just become welfare recipients, then one will no longer be able to rebuild the country with these people.

[DER SPIEGEL] Obviously, you cannot solve this problem all by yourself. What is the outlook for assistance for your department from Bonn?

[Hildebrandt] I discussed a rather respectable program for employment development with colleague Norbert Bluem.

[DER SPIEGEL] What does it look like?

[Hildebrandt] For example, we need thousands of teachers from the Federal Republic right away to teach our people French and English. To cite another example, we have an enormous amount of catching up with regard to electronic articles, word processing, and other applications of computer technology. We could immediately initiate a television program to load discarded computers onto trucks and place them in endangered concerns here; Mr. Bluem has assured me of his help for this. Thus, people who would otherwise lose their jobs could train for six months and would be sensibly employed.



[DER SPIEGEL] That all sounds a little desperate.

[Hildebrandt] I disagree. This country is undergoing a radical change. We have hired a crisis staff for my ministry that gathers ideas how we could prevent or at least somewhat lessen a collapse of our economy and mass unemployment. We must try every avenue to prevent a social emergency in the GDR.

[DER SPIEGEL] You are asking for a lot—subsidies for entire branches of industry, employment programs, and retraining programs. Have you ever thought about the cost and who is supposed to pay?

[Hildebrandt] That is not my department. My task is a quick attack against unemployment. Basically, we have enough work in the GDR. However, the work must be organized and paid for.

[DER SPIEGEL] That would be the decisive point—who is supposed to pay?

[Hildebrandt] I do not understand you here. The Federal Republic cannot let the GDR collapse. The Federal Government has to pay for unemployment anyway, we barely have any money for that. Therefore, Bonn must invest in work procurement programs or ensure that large enterprises construct production facilities here. The Federal Republic will not be able to live with such a rotten, dilapidated part of Germany, with such a sore on its own body. Therefore, investments and sponsorship are in order now because only this will take the sharp edge off mass unemployment—at least initially.

[DER SPIEGEL] Can you exert pressure for this on Bonn?

[Hildebrandt] The pressure will come about by itself. We currently have more than 10,000 unemployed youths. Do you think they will stay in the GDR if they find neither work nor training positions here. If we have hundreds of thousands of unemployed on the street that see no more future for this country, do you think they will patiently wait for their next welfare payment? No, that would cause a new, vast flood of relocations. And that must be prevented now.

[DER SPIEGEL] Are you threatening a new wave of relocations?

[Hildebrandt] I am not threatening, but I would like to encourage the Western side primarily, and I would like to motivate the Eastern side. I do not want to threaten at all.

[DER SPIEGEL] The impending catastrophe in the employment market of the GDR has been apparent for some time already. That is why Modrow's government adopted early retirement. Accordingly, women may stop working at 55, and men may quit working as early as at 60, voluntarily, of course. However, this law is often implemented in firms against the will of the affected people with excessive means. Is that also a feasible course for you?

[Hildebrandt] Basically, I consider these means quite pathetic. However, our situation in the employment market is desperate. That hurts me, believe me. But I see no other way.

[DER SPIEGEL] Pensions are being staggered according to years worked and years of insurance coverage after the currency union in July. Is it true that many retirees will have to survive on DM340 in accordance with prospective laws of the government agreement? Naturally, that would lead to increased poverty in the face of increasing rents and food prices. How do you propose to prevent that?

[Hildebrandt] The pension law as the state agreement currently reads is unacceptable for me. We figured this out: 700,000 of our 2.9 million retirees would get even less money than before if they were not granted a welfare allowance to prevent this. Based on the proposed law, 300,000 retirees would get 1 to 3 marks more than before. All in all, this means that one-third of our retirees would have to live on the brink of the survival minimum.

[DER SPIEGEL] The figures look different in the coalition paper of your government.

[Hildebrandt] Yes, we agreed to reshuffle old product and production subsidies in favor of a per capita subsidy. Pensions as well as low wages are supposed to be increased by M 150 to 200; then the 1:1 conversion is supposed to follow. No one even talks about this anymore.

[DER SPIEGEL] Apparently, pension expenses are being trimmed because the overall cost of German reunification is becoming more and more incalculable.

[Hildebrandt] That is not acceptable for me. I can show you a vast number of letters in which old people relate their fate in life; they worked all their lives and were always cheated; and now one more time at the end. It is unreasonable to keep 1 million people above the welfare level by hook or by crook.

[DER SPIEGEL] In plain language this means that more than 1 million retirees have become welfare recipients.

[Hildebrandt] Yes, that is true, based on the amount of payments. However, this only includes retirees. The same applies to single parent mothers. Women are emancipated here, the divorce rate is tremendous. Nearly all women work, most of them have several children and are sole providers. Now they are among the first ones to be released into unemployment by the concerns. And they are among the one million people in our country that are basically already living on the brink of the survival minimum today—prior to the currency union. We presently have no solution at all for this.

[DER SPIEGEL] Do you agree with your coalition partners—primarily with the CDU—in the assessment of social problems?

[Hildebrandt] We have been working all along. The SDP must remain the social conscience of this government. Fundamentally, social problems have been my constant quandary that I would like to include in the government agreement negotiations.

[DER SPIEGEL] One can hardly speak of unity in the government coalition. Is this perhaps the target breaking point?

[Hildebrandt] We are still negotiating, the results are unclear. At least I hope so. But the unsatisfactory security of the GDR population would be a reason for me to give up my work.

[DER SPIEGEL] Mrs. Hildebrandt, we thank you for this conversation.

### New Tax Laws Considered for Joint Ventures

90GE0107A East Berlin FINANZWIRTSCHAFT  
in German May-Jun 90 pp 1-4

[Article by Dr. Michael Schulz, Humboldt University, East Berlin, Economics Section: "Joint Ventures in the GDR; Problems Associated With Their Formation and Taxation"]

[Text] Mixed enterprises, originating from the association of domestic enterprises or foreign investors, are generally described as "joint ventures." Until October 1989 GDR leaders considered joint ventures in other CEMA countries to represent a "sell out to capitalism" and, therefore, unsuitable for admission in the GDR. The Modrow government, on the other hand, very quickly arrived at a more realistic view of economic opportunities and necessities. The poor financial situation as well as the decaying economy dictated a new approach. The GDR's national economy is unable to emerge from the present crisis by its own efforts. Imperative, therefore, are:

1. Rapid and extensive investments for the acquisition of modern, environment-oriented, and risk-free equipment and highly productive plants.
2. The abolition of the former management and planning mechanism and its bureaucratic obstacles, coupled with the introduction of genuinely performance stimulating management methods.
3. The decentralization of combines and freedom of trade for enterprises of every type of ownership so as to guarantee free competition and competitive equality.
4. The elimination of the state foreign trade monopoly, tax and customs restrictions.

### New Legal Regulations Still Unsatisfactory

Many economists and business experts consider the admission of joint ventures one approach to the accomplishment of the first two tasks mentioned above. After all, it will thus be possible relatively quickly to obtain

Western know-how, technological standards, services, and management methods. In the past the GDR only carried on joint ventures abroad and usually in the form of trading companies. Operation in the GDR was constitutionally impossible. It was therefore necessary to rapidly establish new legal bases. Following the amendment to the constitution,<sup>1</sup> the Council of Ministers issued a decree on the establishment and operation of such enterprises.<sup>2</sup> This represents a temporary statement of basic principles. The legislative plan provides for a regular law to replace it by the fall of 1990. Though manifold experiences by other East European countries are already available, the present decree has been drawn up with insufficient foresight and includes many restrictive rules that obstruct the development of joint ventures (admission procedure, limitation of the extent of foreign capital investment, taxation). The reason is to be found in the fact that the authors from the respective ministries and state organs failed to adequately consult the experience available, did not sufficiently include economists in the process of preparation, and were unduly hasty in drawing up the decree. Another disadvantage was the circumstance that the emerging democratic public opinion was not really able to observe—let alone influence—the legislative process, because the Council of Ministers has not yet issued a bulletin or similar publication to present legislative initiatives or drafts.

### Formation, Admission, Registration

Joint ventures in the GDR may now carry on all legally admissible operations but require state permission to do so. This must be applied for at the Economic Committee. Smaller enterprises (estimated turnover less than M 20 million, less than 200 employees on the annual average and less than M 100 million foreign capital participation) apply for permission to the district council member for finance and prices. Model applications must be used. The following need to be reported:

- The names of the enterprises and the stockholders.
- The business to be carried on.
- The amount of the ordinary capital or capital stock and the expected respective capital investments.
- Title, head office, branches, and the legal form of the enterprise to be established.

Enterprises of all types of ownership, individuals, and institutions (such as scientific institutes) in the GDR may take part, and so may foreign corporations, individuals, and commercial partnerships. Foreign stockholders must furnish at least 20 percent but no more than 49 percent of the ordinary capital or capital stock. Larger holdings may be approved by reason of "national interest" as well as in the case of small and medium companies. The enterprise to be established may be operated as a joint stock corporation, a company with limited liability, a general or limited partnership.

Due to the pressure of time, it was decided to use the regulations of the company law of the German Reich still in effect, that is:

- The corporations law of 30 January 1937.
- The law on companies with limited liability of 20 April 1982.
- The Commercial Code of 10 May 1897.<sup>3</sup>

However, diverging from the above, considerably larger minimum amounts were decreed for ordinary capital or capital stock (see table).

| Comparison of Minimum Amounts<br>(in thousands of Marks) |  |                              |
|--|--|------------------------------|
|  | GDR Generally<br>According to Com-<br>mercial Code | GDR Joint Ventures<br>Decree |
| Joint stock<br>corporation                               | 500  | 750                          |
| Company with<br>limited liability                        | 20   | 150                          |

These large amounts for companies will present difficulties to GDR participants who wish to go into business without having to provide a large financial contribution. As no minimum amounts are prescribed for partnerships, small enterprises are pushed into this legal form.

This also reveals the special significance of ERP [European Recovery Program] loans<sup>4</sup> for the establishment of enterprises. Many interested parties in the GDR set their hopes in these. The Federal Republic's special ERP fund is supposed to make available low interest loans in the total amount of DM6 billion for the years 1990-93. The central elements are the establishment of livelihoods, environmental control projects, the encouragement of investments, the development of tourism. Loans are paid 100-percent in West German marks with a term of 15 years (20 years in the case of construction investments), five years of interest payments only and an effective 6.5 percent annual interest rate.

In contrast to Hungary where state permission is required only for foreign investment amounting to more than 50 percent of the total stock, the GDR procedure is made even more difficult by the need to obtain state approval for any subsequent change in the data with respect to the original permit (type of operation, investors and their percentage of the capital, branches, company articles).

Applications are to be decided upon within three months. Rejection is possible for national, regional, or market domination reasons. Approved enterprises must be registered with the state contract court in the district where the enterprise is headquartered.<sup>5</sup> Stockholders may contribute capital in the form of money or capital assets. Capital equipment so contributed is exempt from import duties. GDR stockholders provide financial contributions in the form of GDR marks or foreign

exchange, foreign stockholders generally in the form of foreign exchange only. No decision has yet been made as to whether the foreign exchange contribution by Western investors must be freely convertible.

The enterprises are in no way included in any planning; they operate on their own responsibility on the basis of the contract law or the GIW<sup>6</sup> [expansion unknown] and may freely set prices for their services or products. However, the fixed or maximum prices decreed by the state in special nomenclatures may not be exceeded. Fixed prices apply to raw materials and types of materials, maximum prices to technical consumer goods, food, energy supplies, and clothing.

Depending on the operation applied for and the percentage of exports in the turnover, a foreign exchange normative is set at the time the permit is granted. According to this normative, a percentage of the freely convertible foreign exchange earned must be offered for purchase by the state. Such purchases are subject to the exchange rates for commercial relations as fixed for state owned businesses, according to which the West German mark has been most recently exchanged for M 4.40. After deduction of taxes, foreign investors may transfer profits and income according to the amount of foreign exchange earned. In some circumstances—if, for example, due to largely domestic operations, insufficient foreign exchange is available for transfer—the exchange of GDR marks for foreign currency may be allowed upon application.

#### Tax Regulations

While the respective ministries are rapidly working up implementing decrees and orders to settle other necessary questions with respect to formation and operation procedures (pricing, accounting and balancing, deposit evaluation), tax regulations cannot be dealt with quite so quickly.<sup>7</sup> With respect to joint ventures in the GDR, it was originally intended to set tax rates diverging from the GDR tax laws in effect on the basis of Article 13 of the tax code—at least for the most important types of tax. However, following strong protests in the People's Chamber, local strikes and taxpayers' boycotts, it was decided to speed up the enactment of a tax amendment law. Article 28 of the decree therefore states that the GDR tax law is generally applicable to joint ventures, with the exception of the following diverging regulations:

- Permission to carry forward losses for a period of five years, in consideration of the starting-up losses to be expected by larger enterprises especially.
- The formation of tax free reserves up to 10 percent of the ordinary capital or capital stock.
- Permission for special write-offs in consideration of the enterprise's operations, in particular with respect to the introduction of processes or products at top world standards, larger quantities of top quality supplies for the public, improvements in the efficiency of environmental protection or a large percentage of

exports (see Article 12 of the decree). The amount of special write-offs must be specified in the course of the permit application procedure or applied for separately with respect to subsequent investments.

In accordance with the current tax code, joint ventures in the GDR are liable to pay the following taxes:

- Income or corporation taxes.
- Trade tax (0.2 percent of the standard value of the trading capital and a maximum of five percent of the trading profits, given a 400-percent Land uniform multiplier).
- Transport tax or turnover tax (generally three percent less tax previously charged).
- Property tax (2.5 percent top rate, not deductible).
- Other transaction or supplementary taxes (land tax, vehicle tax, land transfer duty).<sup>8</sup>

#### Main Goals of the Amended Tax Code

These taxes have been significantly modified by the amended tax code recently adopted. Its main goals are as follows:

- The replacement of the many different income tax rates of the past by a uniform progressive income tax rate for artisans, commission traders, small businessmen and partnerships with a 60 percent top tax rate for annual earnings from M 350,000 up.
- The reduction of corporation tax with a 50-percent top tax rate for annual earnings from M 200,000 up and a 30-percent tax on supervisory board remunerations. The capital yield tax on dividend payments remains at 15 percent.
- The introduction of a deduction procedure upon income tax assessment for unrestrictedly liable taxpayers with respect to corporation tax paid.
- The introduction of a general separate assessment of spouses working in private enterprises. In regard to the nonowner, part of the annual profit in the amount of the salary for comparable work done by employees is deductible and will be taxed as per the new income tax rate (now formal spouse splitting).
- The abolition of performance hampering tax regulations (the former differentiation of profit taxes by type of customer, that gave preference to services to the public, is abolished).
- The far reaching standardization of tax payable for work done on the side.
- The reduction to one percent of the top property tax rate.
- The introduction of a 75-percent ceiling for income/corporation and property taxes.

—The grant of tax benefits in the form of special write-offs and opportunities for accumulating reserves.

#### Abolition of Trade and Property Taxes?

In the field of business taxation, the amended tax code offered the GDR a probably unique opportunity with a view to the future accession to the EEC to altogether abolish business and property taxes. This would appear desirable for the following reasons:

1. According to the tax law in effect, state enterprises and cooperatives as well as commission trading, artisan and many small trading business are exempt from these taxes. Upon participation in joint ventures, the property they contribute would make them liable to pay taxes.
2. The total proceeds of these two taxes (trade taxes 1989 approximately M 25 million and property taxes approximately M 40 million) is minimal. Both taxes are not local taxes, so their omission is more adjustable.
3. Retention of these two types of tax would, on the one hand, require a tremendous administrative effort. Due to the complexity of the procedure for establishing the bases of taxation and the lack of the relevant expertise, the existing personnel would be unlikely to be able to cope. On the other hand considerable legal reservations exist with respect to equality of treatment when we consider that the standard values for real property have not been updated since 1 January 1935 (nor have they been indexed). Moreover, some of the regulations as to procedure were canceled in 1970 upon revision of the text of the valuation law.<sup>9</sup>
4. These two taxes are also disputed in the EC region.<sup>10</sup> Property tax is levied only in about half the member countries, trade tax in only three EC states, so that abolition may be expected in the course of the planned tax synchronization. In addition to administrative simplification, the GDR could provide incentives in the form of tax benefits.

#### Special Tax Problems for Joint Ventures

On top of these general tax problems, some special problems arise for joint ventures:

1. A particularly serious problem of the joint venture decree is its lack of a coherent system and the mixture of elements of the general tax code with those applying to the state sector of the economy. Some of the taxation and similar regulations involving tax payable are not even to be found in the section on "taxation" but in that on "business activity" (such as the product-related tax, the establishment of culture and social funds as well as the premium fund) or "working conditions" (the contribution to social funds).<sup>11</sup>

While the payment of product-related taxes will be hard to enforce and control (experts figure that there are several thousands of various rates of duty), it will not affect competition, because it was already in effect in the

past for all enterprises, regardless of ownership. The contribution to social funds is a very different kettle of fish. This 70 percent payroll tax, introduced in 1984 for the total of wages and salaries paid, applied exclusively to state enterprises and is now to be imposed on joint ventures. Cooperatives and private enterprises operating entirely with domestic capital therefore enjoy a definite competitive edge. At the same time legal problems arise from the rigid adoption of this payment obligation (no appeals allowed, responsibilities, planning). The payroll tax was justified by the relatively low level of wages in the GDR (including the cost of fringe benefits). Since economic reforms and the change in subsidies are leading to significant increases in wage and salary rates, this "contribution to social funds" needs to be reduced or entirely abolished.

2. The necessary amendment to the regulations governing the ascertainment of profits. In the past the GDR State Central Administration for Statistics handled these matters by issuing regulations with respect to the "uniform system of accounting and statistics," while it is customary in other countries to leave this responsibility to central financial or tax agencies. At the same time, different regulations were applied to state, cooperative or private enterprises, and the terms were exceedingly restrictive.

Taxes are to be calculated, fixed and paid in GDR marks. If necessary, foreign exchange may be sold at the prevailing commercial rates.

3. The abolition of the GDR's being closed off to outsiders involves legal problems in the foreign trade tax law. The following questions need to be settled:

- At which point in time is a foreign national obligated to pay wages tax?
- How will GDR law be adapted to the internationally customary net turnover tax (value added tax)?
- How will changes to already existing companies be handled from the aspect of taxation (change in legal form, mergers, profit transfer)?

4. The GDR practice of taxing licences also requires review. In the past foreign enterprises had to pay a 25-percent overall tax on earnings, and this covered income, corporation, and turnover taxes.<sup>12</sup> Astute business managers may utilize existing dual tax agreements with third countries to find ways for evading this tax. In the interest of the encouragement of business it would therefore be useful to issue a similarly generous regulation as that decreeing exemption from customs duties for noncash capital contributions.

5. If noncash capital contributions are derived from existing enterprises (artisan producer cooperatives, craft or small trade enterprises), another problem arises related to the establishment of joint ventures and the interest of GDR investors in the highest possible assessment of noncash capital contributions. This problem has

to do with the taxation of profits on sales. The easiest way would be withdrawal and continued accounting at existing balance sheet values.

However, the intended taxation of joint ventures may not be considered in disregard of the situation arising from foreign tax laws (for example the FRG tax code) for enterprises within the area of validity of special regional assistance program such as the Berlin Promotion Law or the Zonal Area Promotion Law.<sup>13</sup> Such a comparison results in considerable local tax disadvantages for the areas close to the border and the areas in the vicinity of Berlin. Taking international compared values in account, lower top tax rates or preferences will therefore be required for the purpose of special promotion.

#### **Nonpublication of Legal Regulations Hinders Orientation**

Interested foreign parties are experiencing particular difficulties in accurately ascertaining tax charges in the GDR. This is due to the past practice of exceptional provisions and the unconstitutional nonpublication of various legal regulations.

A 1971 order discontinued the loose leaf collection "Das Abgabenrecht" [The Tax Code]. Lost thereby was the last general overview of GDR tax legislation available to the general public. Some publications dealing with various aspects reappeared in recent years. However, they were not permitted to be sold by the book trade and are unlikely to be known outside the GDR.<sup>14</sup> They present and explain some of the amended tax regulations enacted by way of unpublished Council of Ministers decisions.

In general we may assert that the GDR tax code does not meet the standard to be legitimately expected from a constitutional state.<sup>15</sup> This applies specially to legislation enacted by economists who lacked the most elementary legal knowledge (inexact terminology, vague definition of the area of validity, failure to cancel sections, nonobservance of the hierarchy of laws). Joint ventures are thus confronted with the question of how far they fall within the area of validity of existing exemptions (for example up to M 10,000 tax relief upon the opening of new enterprises) or special tax regulations (for instance tax on horticultural enterprises, research and development charge).

#### **Finance and Administrative Courts Indispensable**

Tax appeal procedures represent a special chapter. So far there are no finance or administrative courts for the independent examination of decisions by finance agencies. However, all GDR political forces agree that the introduction of such courts is imperative. While taxation of corporations and partnerships was not a matter of any importance in the GDR in recent years, interest in the establishment of new business is very great indeed now, and it is therefore necessary to rapidly draw up and conduct some training programs. The employees of Humboldt University are very willing to play their part.



Footnotes

1. See "Law of 12 January on the Amendment and Supplementation of the GDR Constitution," GBl I, No. 4, p. 15.
2. See "Decree of 25 January 1990 on the Establishment and Operation of Enterprises with Foreign Participation in the GDR," GBl I, No. 4, p. 16 (subsequently quoted as the decree).
3. See "Corporations Law," RGBL [Reichsgesetzblatt] I, p. 107; "GmbH [company with limited liability] Law," RGBL p. 477; "Commercial Code," RGBL, p. 219.
4. See "Planned ERP [European Recovery Program] Promotion in the GDR," INTERNATIONALE WIRTSCHAFTSBRIEFE IWB, 3/1990, Verlag NWB Herne/Berlin, p. 84 and p. 22 of this issue.
5. See "Order of 29 January 1990 on Operating the Register of Enterprises with Foreign Participation in the GDR," GBl I, No. 6, p. 34.
6. See "Law of 25 March 1982 on the Contract System in the Socialist Economy—Contract Law" GBl I, No. 14, p. 293, and "Law of 5 February 1976 on International Business Contracts—GIW" GBl I No. 5, p. 61.
7. "Tax Order" in the version of 18 September 1970, GBl Special Issue No. 681.
8. The Staatsverlag [state publishing house] is preparing the early and comprehensive reissue of the current GDR tax law.
9. See "Valuation Law" in the version of 18 September 1970, GBl Special Issue No. 674.
10. An overview of the present status is offered by "The Most Important Taxes in the International Comparison," IWB, No. 3/1990, pp. 111 ff, and "Mut zur Unternehmenssteuerreform" [Courage for the Reform of the Business Tax], DIHT [German Industry and Trade Association] study of reforms carried out abroad, Bonn 1989, pp. 5ff.
11. See "Decree of 14 April 1983 on the Contribution to Social Funds," GBl I, No. 11, p. 105, in the version of the second through fourth amendment order (expansions of the area of validity) and the "Decree of 1 July 1982 on Product-Related Taxes and Price Subsidies," GBl I, No. 30, p. 547. With respect to appeals and enforcement regulations, the regulations in effect for private business should be consulted: "Decree of 4 January 1972 on the Appeals Procedure with Regard to the Collection of Taxes," GBl II, No. 2, p. 17, and the "Decree of 6 December 1968 on the Enforcement of Monetary Claims by State Organs and State Facilities," GBl II, No. 6/1969, p. 61.
12. See "Order of 24 April 1985 on Taxing the Earnings of Foreign Enterprises and Persons Arising from the Issue of Licenses and Other Rights of Usufruct to GDR Enterprises," GBl I, No. 13, p. 169.
13. See "Law on the Promotion of Berlin Business" (Berlin Promotion Law 1987) in the version of 10 December 1986, BGBl [BUNDESGESETZBLATT] I, p. 2415, amended by the "1990 Tax Reform Law of 25 July 1988," BGBl I, p. 1093, corrected p. 2074, and "Law of 5 August 1971 on the Promotion of the Zonal Border Area (Zonal Border Area Promotion Law)," BGBl I, p. 1237.
14. See Loos/Petraschk/Pilz/Schoenemann, "Zur Gewerbetaetigkeit Privater Einzelhaendler und Gastwirte" [On the Business Operations of Private Retailers and Caterers], Verlag DIE WIRTSCHAFT, Berlin 1986 (out of print); Pilz/Schulz, "Erlaeuterungen zur Besteuerung Privater Handwerker" [Explanations on the Taxation of Private Artisans], Verlag DIE WIRTSCHAFT, Berlin 1989 (still available from the publisher).
15. See in greater detail Oertel/Schulz, "On the Reform of the Tax Law," STAAT UND RECHT, No. 2/1990, pp. 217ff.

**Self-Financing To Replace Role of Subsidies**

90GE0108A East Berlin FINANZWIRTSCHAFT in German May-Jun 90 pp 4-6

[Article by Dr. Horst Neuman, Dr. Ilona Fuchs, Horst Heere, and Dr. Ulrike Muschol, Research Institute, Ministry of Finance and Prices: "Self-Financing for Enterprises"—first paragraph is FINANZWIRTSCHAFT introduction]

[Text] In an ecologically oriented social market economy, money and finances become decisive efficiency factors of the economy. Self-financing of enterprises is urgently needed.

The goal of economic reform is a radical and rapid transition to an ecologically oriented social market economy. That requires full development of goods/money relations. Money and finances thereby become decisive efficiency factors of the economy.

In the shaping of a corresponding financial system of enterprises, we are guided by the following principles:

- In an ecologically oriented social market economy, the enterprise is at the center of the economic system. Independent of the respective form of economic organization (combine, corporation, sector association, trade associations, etc.), the enterprise organizes and finances its economic activity on internal and external markets independently and on its own responsibility.
- In future, the enterprises will exist under different forms of ownership. Hence equal participation of enterprises of all ownership forms in the market must be ensured. This means for the enterprises' financial system that it must be shaped in such a way that equal conditions for competitiveness are created (for example, [the right of] independent disposition of the funds of enterprise assets, and a uniform tax system).

That includes equal foreign trade rights for enterprises' exports and imports.

- The enterprise works on the basis of strategies and plans to be developed independently. In this, financial planning is gaining increasing importance. Free choice of partners and freedom to enter into contracts is in order.
- To earn profits is of central importance for the economic stability and development of entrepreneurs. Hence products and performances must be marketable, particularly from the profitability aspect. This in turn necessitates great cost flexibility in order to be able to adjust quickly to changing market and price requirements.
- Support and subsidies must be replaced by the principle of self-financing. Public funds or tax concessions should be granted only if they promote implementation of tasks specially set by the state, or if profit shortfalls, resulting from these tasks and limiting competitiveness, are to be balanced, or if innovations are to be furthered by the state.
- After deducting taxes, the enterprise decides independently how to use the profits resulting from its operation.

The financial system must be characterized by many different forms and possibilities in order to:

- mobilize funds for the renewal and expansion of production conditions, and
- use one's own funds, for example, in other enterprises (participations), for bank deposits and the purchase of securities.
- Freedom of action of enterprises under market economy conditions demands that employees be granted basic rights of codetermination and coorganization. For this purpose, works councils as well as economic and social councils must be created as new forms of employees' representation of their interests. Differentiated forms of sharing in profits, profit-sharing certificates, the purchase of stocks and employees' shares and even corporate debentures are to shape the employees' consciousness as owners.
- For larger enterprises, the duty to publish its economic results (balance sheet, profit and loss account, business report) must be made obligatory in the future in order to guarantee public information on their economic and financial situation and to give employees a basis for their democratic codetermination.

Our thoughts regarding focal points of substance on the self-financing of enterprises to be developed (the authors' thoughts concern in principle state-owned enterprises), which must become effective as of 1991, go in the following direction:

### Uniform Tax System

In the course of economic reform, a tax reform must be carried out for enterprises of all forms of ownership. The tax system is to provide strong performance impulses. Important prerequisites are tax equality and tax justice. Also to be taken into account are the conditions for integrating the GDR economy in international economic relations.

It is proposed to levy the following taxes in the future:

- Corporation tax in the form of a uniform profits tax as measuring stick of an effective production conforming to demand and the market.
- Property tax on the enterprise's entire fixed and current assets as a measuring stick of fund utilization.
- Value-added tax as a uniform tax on the net turnover of one's own processing stage (tax prepayment) to adjust to the conditions of competition with the EC countries.
- Trade tax as a local tax in order to tie the enterprise closely to the region.
- Levies and sanctions for the use and reproduction of natural resources (soil, water, air) in the present differentiated form.

With regard to enterprises' profit transfer to the state budget, it was begun in 1990 to preset for these economic units a normative of net profit transfer to the state which is, however, not yet based on uniform demands of effectiveness.

### New Substantive Definition of Costs and Profits

With the introduction of the uniform tax system and greater integration of foreign trade activity in the enterprises, it is necessary to redefine costs and profits. In this context one must reexamine, and adjust to international conditions, the present depiction of expenditure and profit according to aspects such as the results of exports and goods production, and results outside the production process.

The previous uniform operating result (derived from separating domestic results and export results) is no longer considered necessary since, under the conditions of a market economy, what must be decisive is the comparison of costs to actual profits earned either from domestic sales or from exports.

### Use of Earned Profits and Amortizations

In future, after payment of taxes based on profits, the enterprise will independently decide on the use of earned profits. The use of profits to establish funds earmarked for financing the reproduction process will no longer exist. The main directions of profit use will be:

- Establishing capital reserves which can be used flexibly and will support and secure assets in case of losses.
- Balancing losses carried over from previous years.
- Increase the enterprise's capital fund.
- Payment of profit shares to enterprise personnel on the basis of distributed or purchased shares.
- Carrying profits over to the following year.

The capital fund could replace all present funds stemming from profits and tied to a specific purpose, that is to say, it serves the financing of investments, working capital, science and technology and repaying loans. In addition, it is the source of the enterprise's participation in other enterprises.

The enterprises retain the full amount of amortizations for simple and expanded reproduction. One should also consider eliminating the "passive effect" of the present depreciation system which is based on the normative useful life. Under the conditions of a market economy, this depreciation system runs the risk that, due to wrong evaluation (for instance, unrealistically long periods of service life), operational losses are recorded and taxed as "fictitious profits." For this reason, reducing-balance depreciation procedures should be admitted.

#### **Transition to a Flexible Monetary System**

The entire monetary system of the enterprises requires greater flexibility so that more opportunities can be created in order to mobilize capital for the reproduction process on the one hand, and on the other, to invest advantageously funds not needed directly for one's own reproduction process.

Forms of mobilizing capital are seen, for example, in issuing corporate debentures and share certificates, employees' shares, common stock, participations by other enterprises, and obtaining loans. Leasing transactions should also be a form of financing for the utilization of objects of capital expenditure without having to pay immediately from one's own funds for their acquisition.

The capital could be invested, for instance, in the form of participations in other enterprises, long-term deposits at higher interest at a bank, and purchase of municipal bonds and shares.

#### **Relations With Commercial Banks**

In future the enterprise will decide by itself whether, and to what extent, it will obtain loans. Any kind of administrative distribution of loans must be eliminated. The enterprise enters into relations with the commercial bank and concludes loan agreements. Loans will be granted solely on the basis of effectiveness. The basis is the enterprise's creditworthiness and loan-repayment capability. In addition, preconditions should be created

so that enterprises, in the interest of capital mobility, can grant each other commercial loans.

#### **Foreign Trade**

The foreign trade law is being made more democratic with the revocation of the state's foreign trade monopoly and direct assignment of foreign trade enterprises to enterprises and also through the founding of trade firms. It is a first step in that direction that the enterprises, already as of 1990, can independently carry out their own exports and imports, after having applied to the state, and having been granted, the right of foreign trade. If the responsibility for foreign trade activities is delegated to the enterprises, it naturally also results in the direct confrontation with positive or negative economic effects. Hence self-responsibility for exports in future must also include abolition of state export subsidies. However, if state decisions on exports are still made at times and if enterprises also have to carry out unprofitable exports, then the state must continue to grant export subsidies. In close connection with the necessary decentralization of the foreign trade monopoly stands the task of creating an independent currency exchange system for enterprises. In order to enable all enterprises to gain access to foreign currency, one could start foreign currency auctions.

The final step of this process must be a full currency exchange system of the enterprises. This means that all enterprises receive the right to fully dispose of their earned foreign currency.

#### **Formation of a Core of Permanent Employees**

In order to assist in the forming of a core of permanent employees, new steps should be taken in the enterprises. Our thinking goes in the following direction:

- To promote the employees' feeling of ownership by having them share in profits through free or purchasable shares (profit-sharing certificates) and employees' shares.
- To raise the level of company services and cultural and social expenditures dependent on performance.
- To establish pension funds and grant long-service bonuses and long-service vacations.
- To make the development of the wage fund dependent on the earning of profits.
- To use capital for the reduction of work difficulties and environmental stress.

#### **Ensuring Liquidity, Treatment of Losses, and Liquidation**

Under the conditions of a market economy, the enterprises' full responsibility for earnings and effective use of capital in future also includes their own economic responsibility for operating at a loss and insolvency. The



enterprise itself must analyze the causes for the situation and take stabilizing measures.

—*Treatment of losses:* One consequence of responsibility for the results of economic activity, transferred to the enterprises, is that the state budget no longer makes up for losses. Therefore, losses must be balanced by using reserves and offsetting them by profits carried forward in previous years. Losses which cannot be balanced in this manner must be carried forward to the following year and leveled by profits of the following year. Temporary problems of liquidity caused thereby must be solved on one's own responsibility.

—*Ensuring liquidity:* For enterprises with chronic liquidity problems, a stabilization program should be developed with a complex of economic, organizational, and cadre measures in which the bank and creditors of the enterprise cooperate. This also includes a change in the production and export structure, i.e., examination also of participation by foreign enterprises through the use of modern techniques and technology. On the basis of the enterprise's stabilization program, the bank decides whether new loans should be granted.

—*Liquidation:* If chronic liquidity difficulties cannot be overcome, or if overindebtedness of the enterprise occurs, liquidation of the enterprise may become necessary by dissolving the enterprise or merging it with other enterprises. If an enterprise is too deep in debt, bankruptcy procedures must be initiated. In its course, existing assets must be used to pay off debts. But with regard to the liquidation of enterprises it is also necessary to ensure the right to work within the framework of social [safety] nets to be newly created.

#### Balance Sheet and Profit and Loss Accounting

The balance sheet and the profit and loss accounting must be based on a precisely proven, actual net asset position as well as real costs and profits. That requires:

—Assessment of fixed capital assets and current assets according to uniform principles. That may make necessary a reassessment of fixed assets and also assessment of material working capital according to actually realizable prices. A decision also has to be made on the assessment of land.

—Setting up the balance sheet under the aforementioned conditions of forming a property fund, as well as basing the profit and loss accounting on a new cost and profit system.

Larger enterprises should be obligated to publish the balance sheet, the profit and loss accounting and the business report.

#### Internal and External Financial Control

The enterprises' comprehensive self-responsibility also necessitates a new role and position of the chief accountant. His present function as "state comptroller" no

longer fits into the framework of market-oriented enterprise. In the future, the chief accountant will primarily have to organize the company-internal control and ensure the truthful and orderly rendering of accounts of the reproduction process in terms of value in the accounting system and preset state data. An important part of his activity will be to assess, in a balanced and foresighted manner, the enterprise's profitability and to provide important impulses for the enterprise's management. In this regard, in future it will be worthwhile to utilize the experience of the comptroller.

In future, there should be the following three forms of external control of the enterprise:

—A GDR audit office examines and confirms the balance sheet as well as the profit and loss accounting of the state-owned enterprises.

—Tax inspectors investigate taxes, levies and use of the budget monies within the framework of revenue offices or fiscal agencies to be newly created.

—Public accountants recognized by the state independently and neutrally examine and confirm the balance sheets as well as the profit and loss accounting, for example, for joint ventures and private enterprises.

It would also be conceivable to transfer the examination of the balance sheet and the profit and loss accounting to the revenue offices.

For self-financing of enterprises, the experiences of the eight pilot projects for economic reform must be assessed and generalized. With them, new ways of independent operation are being tested this year.

In order to implement the proposed self-financing of enterprises, appropriate legal regulations should already be established this year in public discussion. This includes in particular:

—A law on economic activity as a framework law for the basic issues of the independence of enterprises.

—A law which regulates the property rights of the enterprises, integration into a performance system, taxation, etc.

—A law on restructuring, composition and bankruptcy of enterprises.

—Laws on economic democracy.

#### Collective Farming Future Examined

90GE0109A Hamburg DER SPIEGEL in German  
14 May 90 pp 130-142

[Unattributed article: "We Don't Want Any Speculators"]

[Text] There is a large construction pit next to the long single story administration building of the Agricultural

Producer Cooperative (LPG) in the Brandenburg Mittenwalde. Work was stopped as early as four months ago. "We wanted to construct a new kitchen, an auditorium, and bowling lanes here," Eberhard Muessigbroth, chairman of the LPG, said, "but now we need our money for more important matters."

Muessigbroth and his LPG colleagues have been careful with their resources since they know that they have to change from a centrally managed economy to a market economy. The agricultural concern has accumulated a bank credit balance of M 8 million in recent years. The money will be converted to West German marks at a ratio of 2:1 probably in early July with the start of the economic and currency union.

The cooperative farmers from King Wusterhausen's district south of Berlin want to invest their precious 4 million West German marks primarily in Western agricultural machinery. "We can no longer afford expenditures that do not provide us with productivity advances now," LPG head Muessigbroth said objectively of the former canteen and bowling alley project.

All the experts agree: the whole GDR agriculture urgently needs more productivity if it wants to survive the competition against technically extravagantly equipped farms in the EC. "When comparing production between us and farmers in the West, our agriculture always looks like a donkey and Western agriculture is the race horse," Muessigbroth said with aggravation.

About 20 percent less grain per hectare grows on GDR fields than on West German fields. Potato growers in the East harvest about 30 percent less potatoes per hectare and the per hectare yield of sugar beets in the GDR is even 40 percent lower than that of the Federal Republic.

LPG cows give nearly one-fifth less milk than the animals in West German barns. Eastern pigs gain weight much more slowly than Western animals. Even a GDR hen is not as industrious as an FRG bird: it lays more than 10 percent fewer eggs.

There is a large packet of deficiencies typical of the system that can verify the productivity gap between the East and the West: Socialist inefficiency and senseless plan data, antiquated machinery and rotten barns, inferior feed and poor fertilizer. And that is why cooperative farmer Muessigbroth now looks forward to the market economy.

"Once we have mastered the mistakes of the command economy," he stated optimistically, "then we will certainly be the race horse, and the farmers in the West will be the donkey."

Like most agricultural experts in the GDR, LPG man Muessigbroth hopes that the agriculture between the Baltic Sea and the Erz Mountains will be an important advantage over farmers in the West: GDR farms are disproportionately larger than farms in the FRG.

Specifically, small family farms such as those typical of the West German agriculture have been nonexistent in the GDR for three decades. All farmers were forced to join LPG's in the 1950's and early 1960's.

These LPG's are large agricultural cooperatives in which the general assembly of cooperative members only has a formal say. In truth, central management bureaucrats of the SED [Socialist Unity Party of Germany] decided what LPG farmers had to do and what they could not do.

There are currently 1,150 cooperatives specializing in farming; these are the LPG crop growers. Nearly 2,700 livestock breeding LPG take care of the animals.

While full time West German farmers only manage a 30-hectare farm on the average, crop growing LPG's manage 4,600 hectares per farm. Even a big West German agrarian like Farmer's Association president Baron Constantin von Heereman is just a small fellow with his 125 hectare farm.

Animals are also raised in large units in the GDR. While only a few dozen cattle and pigs are evident at West German farms, LPG's regularly feed hundreds of milk cows and thousands of pigs. Three gigantic farms even fatten over 100,000 pigs each.

Big farms—the continuous tendencies toward concentration in the entire agriculture of the EC demonstrate this—are usually considerably more cost effective to operate than small farms. Erhard Oehm of the German Agricultural Society seated in Frankfurt am Main said, "the GDR agriculture has the best production structures in all of Europe."

Wolfgang Meissner, advisor of the Farmer's Party, even predicts, "If we can purge the conurbation structure of GDR agriculture of some of the exaggeration, then we can eliminate the entire EC from the pack."

Agricultural experts in the East know that the subsidy structure of the EC is tailored to large farms thanks to the extremely successful work of Western agricultural lobbyists. If farmer functionaries in the EC do not think of a couple more tricks to put GDR farms at a disadvantage compared to the farmers in the West, the huge agricultural collectives in a common market expanded to the Oder and Neisse will be able to divert more money per farm from the EC coffers than family farms in the West.

Juergen Nitzsche, chairman of the "1 May" LPG in Berlin-Wartenberg and a Ph.D. in agriculture is tired of hearing the talk of "western farmers destroying us." Nitzsche says, "The reality is that Heereman is afraid someone 10 times his size will come along and pocket higher subsidies."

Nonetheless, the big talk of a glorious future for GDR agriculture is an uncommon conflict with the dire straits most farms from Mecklenburg to Thuringia are currently in.

Cooperative farms cannot get rid of a large portion of their milk, eggs, pigs, and lettuce at all or can only do so at cut-rate prices. They can already hardly defend themselves against the aggressive competition of Western foodstuff suppliers.

In recent months, Western food concerns and retail chains have increasingly squeezed local offerings from the shelves of grocery stores with attractively packaged products. Smart money makers from the Federal Republic have set up their stands at market squares of nearly all medium-sized GDR cities in order to offer fruit and vegetables from the West. In addition, many GDR citizens—primarily those from areas near the border—purchase groceries during their trips to the West.

Even high prices with hardly noticeable differences in quality do not scare GDR consumers keen on Western goods. "Producers cannot get rid of their lettuce here," LPG man Muessigbroth ponders, "while Dutch lettuce is purchased at double the price."

That is how West German food exports to the GDR skyrocketed in the first quarter of this year by over 80 percent compared to the same period of the previous year. By contrast, agricultural imports from the GDR to the FRG only increased by 7 percent.

GDR farmers would have liked to export more to the West. However, the Federal Republic is still carefully sealed off from the East. Quantity limitations are in effect for about 90 percent of GDR exports into the West. They are intended to protect the already saturated domestic market of the EC from yet more foodstuffs.

Even the solid supply contracts with local food factories and retail organizations help the farmers little. Processing plants cannot market their products and retail grocers and industry refuse to accept contractually agreed amounts.

No wonder that anger and fear of GDR farmers about the chaotic entry into the market economy increased permanently. Cooperative farmers often blocked border crossings to the Federal Republic with tractors and trucks to protect the flood of goods from the West. Farmers already assembled twice in front of the Palace of the Republic in East Berlin with sayings like "The country does not live on imported pigs, the domestic market must be safe."

Immediately prior to local elections, the GDR Government decided to only issue licenses for the importation of foodstuffs centrally at the request of independent Minister of Agriculture Peter Pollack. However, the relief action was too late; angered rural voters migrated to the opposition parties.

In Mecklenburg-Vorpommern, for example, the Democratic Farmer's Party, which had provided the Minister of Agriculture in Modrow's cabinet, was able to nearly double its percentage of votes compared to the People's

Chamber elections. They got nearly 10 percent. The only recently founded Farmer's Association got approximately 4 percent right off. Both parties even landed up to 25 percent of all votes in some rural election districts.

The farmers are demanding a five to 10 year adjustment phase during which they want to make the conversion from the centrally managed economy to the market economy and the incorporation into the EC—protected by customs or import provisions. "Five years is the minimum time frame," opined even such an optimistic GDR agrarian as the Mittenwald resident Muessigbroth.

In spite of all cost advantages relative to large area cultivation: the 3,850 LPG have been treated like children by central management bureaucrats of the SED right down to the smallest details of livestock breeding and crop growing for too long for them to be able to suddenly stand on their own feet. They have had to tinker with technically completely antiquated tractors susceptible to breakdown for too long to be able to face the agrarian armada of the EC equipped with the best machinery.

What crops had to be cultivated on how many hectares was precisely dictated to the farmers. Even the precise harvest was established at the outset—as though agriculture were a trade independent of the weather like plastic manufacturing.

The agrarian strategists of the SED regime precisely established the utilization of fertilizer, pest controls, and fuels. If diesel fuel consumption varied from the centrally managed value in one month because sowing or reaping was moved up due to favorable weather conditions, a report by the LPG to the district administration justifying the excess consumption was immediately due. If the LPG saved diesel fuel the following month, it had to explain all over why it infringed upon the plan embraced by the SED.

The East Berlin administrators lived with the delusion that they were not only able to make the whole republic, but also the respective individual districts nearly completely self-sufficient in terms of food supply. Thus, they hardly considered what prospered best where. For example, the LPG's were obligated to cultivate asparagus or tobacco in places where rye or turnips would have done better. Reiner Matthes, chief agrarian of the Mittenwalde LPG, ridiculed such centrally managed insanity, "If we had been directed to cultivate bananas, we would have tried that, too!"

Of course, what portion of the gross receipts the cooperative was allowed to distribute to its members and how much money it had to set aside for new machines was also decided. However, many LPG's tried in vain to spend their investment funds then, too. The agricultural machinery industry was not able to supply sufficient machinery.

Thus, many concerns—such as the Mittenwalder one—involuntarily accumulated assets in the millions which

collected interest at the rate of 1 percent. Now these reserves are making the start in the Economic and Monetary Union easier. For the time being, many agrarian concerns can fall back on a West German mark reserve in contrast to nearly all industrial concerns of the GDR that had to pay off West German mark obligations after the currency exchange at the beginning of July.

Of course, this is no guarantee of survival; adaptation to the new phase must transpire quickly. For example, for the Mittenwalde LPG with its sandy soil this means: decline.

"We have to remove approximately 2,000 hectares from our over 5,000 hectares from production simply because the soil is too bad," chief agrarian Matthes admits. "It is now no longer possible to produce at any price."

The collective will have to let quite a few of its 230 members go. "Our general membership assembly then decides, 'You, colleague, are now unemployed,'" chief Muessigbroth described the termination procedure.

The previous head of cadre, the personnel manager, and the safety inspector are already gone. They all left on their own when they noticed that their colleagues would have gotten rid of them: the two had been the listening posts of the State Security Service in the LPG.

The fact that agricultural cooperatives must now cut back is not just a question of a productivity lag or products from the West. It is a paradox that food producers in the Eastern economy of short supply attracted attention to themselves with too much production.

Juergen Nitzsche of the "1 May" LPG said, "We had the same food surpluses as the EC prior to the conversion, but they were produced in such a way that no one noticed it."

Thus, the GDR maintained enormous livestock supplies and there was supposed to be sufficient reserves for a meat supply at all times in spite of the low refrigeration capacity. "Our mountains of meat are not piling up in refrigeration plants," Mr. Giese, chairman of livestock breeding LPG Nahrstedt in der Altmark, said, "they are standing in our barns and in our pastures instead."

If livestock herds ever got too big, East Berlin's bureaucrats dumped cattle, pigs, and sheep on the world market—a method the EC used from time to time to decrease its mountains of butter.

Based on GDR requirements, too much bread grain, potatoes, and other basic foodstuffs were and are being produced. However, the state subsidized consumer prices for these agricultural products with M 30 billion to the point that no marketing problems existed: surplus foodstuffs were fed to the animals.

Nonetheless, some products occasionally just ran out as routine in a centrally administered economy. And, for that reason, every household accumulated food supplies

for an emergency. Agrarian Nitzsche admits, "I could easily live six months on the supplies in my basement."

Since the advent of the economic union has been certain, most GDR citizens see no point in jamming their kitchen and basement shelves with stockpiles of ketchup bottles and canned meats. For the time being, they are reducing these supplies. That, in turn, is creating havoc among food retailers for now and increasing the farmer's marketing crisis.

The current problems have already given some LPG farmers unconventional ideas. A few comrades from the "1 May" LPG asked Chairman Nitzsche to close the concern, sell everything and distribute the money.

The chairman admits the plan would be workable by all means. "We could easily sell everything to business persons from the West who are after property and buildings in the proximity of Berlin," Nitzsche said. The front men from the GDR who are currently needed for such transactions have already spoken with the LPG chairman.

However, most LPG members want to continue freezing herbs and vegetables for making soup in Wartenberg, repairing tractors, milking cows, and feeding pigs. "We do not want any speculators that earn money on the land we have worked," Nitzsche said.

The large majority of the Wartenberg LPG members decisively rejects a break up of their collective. They do not do this so much because they are wholehearted collective farmers and would never like to become anything else. For example, the 70 comrades who work as tradesmen in the LPG's construction department and the 40 members who are employed as fitters or mechanics in the technical department do not frolic in the fields anyway.

On the contrary, most employees fully understand that they would not get anything from the sales proceeds of the most valuable part of the LPG, the ground. The ground in Wartenberg is about 50 percent nationally owned; it belongs to the state, in other words. The other half of the property belongs to former members of the cooperative or their heirs for the most part.

No more than five of the more than 700 members each own a few hectares of land in the cooperative. Thus, only these five would make a killing if the ground previously used for agricultural purposes were sold off as expensive construction property for a new satellite town in the extreme Northeast of Berlin.

The strange property conditions in the "1 May" LPG as well as in other agrarian cooperatives are a legacy of GDR history. Fueled by the Soviets, feudal and Junker-like property and large landowners with more than 100 hectares as well as property owned by "war criminals and active fascists" were dispossessed during the land reform immediately after the war. The government gave about two-thirds of the redistributed property to rural laborers,

small lessors and farmers who had been displaced from areas on the other side of the Oder and Neisse Rivers. The state took the rest as nationally owned property.

The new property owners were only able to work independently on their soil for a few years. They, along with old established farmers, were then forced to relinquish their land to new cooperatives, the LPG's.

The farmers did, in fact, remain property owners of record of their land and their farm buildings in the property registers, but they had to surrender their usufructuary rights to the LPG's.

In addition to the comrade's land, the LPG's also received nationally owned property to cultivate. And this share of nationally owned property increased with every cooperative farmer who defected to the West. Land of "Republic refugees" automatically became nationally owned property.

On the other hand, if a member left the LPG because he sought another job in the GDR or retired, his proprietary rights did not expire. The LPG continued to pay the former comrade so-called property shares, a type of rent, that were ridiculously low: M 20/hectare per annum.

The number of those LPG members who had at one time surrendered land dropped off in the course of decades—not least for reasons of age. Finally, landless young farmers or agricultural technicians that had only joined the cooperatives later were the majority in all LPG's.

However, the ratio of those relinquishing land to the ratio of the landless is still not as glaring in most LPG's as it is in the Wartenberg LPG on the outskirts in which especially many founding members changed to a more comfortable, better paying big city job. About one-fifth of the ground belongs to active members of LPG's situated in remote GDR provinces.

These farmers were once private farmers themselves, or they inherited the ground from fathers who managed their own farms prior to collectivization. Such comrades would now be most capable of picking up the old family farmer tradition again. They would have the property and ground for starting a new independent livelihood.

It would thrill a man like Herbert Ey, chairman of the livestock breeding LPG in Alt Suehrkow in mecklenburgian Switzerland, to be boss of his own farm again. The 53-year-old never got over the aggressive methods his father was subjected to exactly three decades ago when he refused to surrender his 20-hectare family farm to the LPG.

A diplomat agriculturist, Ey succeeded in rejuvenating the completely run down and rotten Alt Suehrkow LPG within three years. However, he no longer wants to try starting as an independent farmer.

Ey has calculated and calculated, and the bottom line was always that he would hardly have a chance today as

a private farmer. He would have to assume too much credit in order to modernize the old family farm and make it a survivable size.

"I would saddle my children with debt," he laments, "and I do not want the responsibility for that."

Nearly all cooperative farmers in the GDR think like Ey. Of 270 leading LPG members with whom Andreas Kurjo, a West Berlin agricultural expert and GDR connoisseur, spoke with only five expressed any interest at all in becoming independent.

The 40 years of the GDR have thoroughly jarred agriculture in East Germany. Apparently, many farmers are aware that property does not mean income and that working in a cooperative is to be preferred over a hand-to-mouth livelihood as a small farmer.

Ey says, "The agricultural politician and farmer functionaries in the FRG that believe cooperative farmers become private farmers have no idea of our organization here."

#### **New LPG, Horticultural Association Founded**

*90GE0115A East Berlin BAUERN ECHO in German  
21-22 Apr 90 p 3*

[Interview with Prof. Dr. Achim Rothnauer, business manager, Cooperative Association for LPG's [Agricultural Producer Cooperatives] and Horticultural Producers, by Gerlinde Schattenberg; place and date not given: "Our Association Wants Equal Opportunity"]

[Text] [Schattenberg] The Association has been in existence for a few weeks. What first steps has it undertaken?

[Rothnauer] I would first like to point out that by last week 2,000 companies declared their membership, which is about 50 percent. Currently, the state associations are forming. This process is supposed to be conclude in May.

For our central association we were able to obtain experts, e.g., one lawyers, one economist, and one business manager, who are dealing with actual subjects. Soon, an employee for public relations will reinforce the team. We are now making all efforts to become effective for our member companies.

[Schattenberg] Not every general assembly's members voted for joining. What are your arguments for justifying membership?

[Rothnauer] The first proof for the need of the association has already been furnished. It is certain that conflict situations between farmers and horticulturists on the one side and government, parliament, and society on the other on the path to a market economy are unavoidable. If they have to be resolved in an unusual manner—if necessary, with demonstrations in Berlin—unity is our strength.



Already today we are experiencing the mass, uncontrolled, import of agricultural products from the FRG. There is no legal basis for this. But the consequence is a restricted sale of own products. If energetic steps are not taken against the illegal import soon, a large number of companies are threatened by financial collapse within the next few weeks. Added to this is the fact that many "imported" goods do not conform to hygienic regulations, are on the border line of use dates. Thus, the consumers in our country are deliberately cheated. The lawgiver is challenged. We want to tie him down to certain things, to use the adaptation time frame for the creation of framework conditions.

As representatives of the interests of our member companies we primarily want to provide them with recommendations, suggestions, and information on how their competitiveness can be improved, how they can adapt to the new conditions. The first material on profit-related management is already available this April.

[Schattenberg] What does that mean in concrete terms?

[Rothnauer] Five working groups have begun operation. One has pledged itself to the working out of suggestions and demands for adapting the agricultural structure of the GDR for the entry into the joint EC agricultural market. It deals with such fundamental questions as price structure and development, regulation of quotas, development of subsidies for central points, tax policies (procedures for liquidation of indebtedness), regulation of stabilizers, import restrictions, economic and social insurance for production limiting measures. The proposals from this working group are to be represented independently in the GDR-FRG commission.

Other working groups deal with the preparation of:

- legal bases for the incorporation of the LPG [Agricultural Producer Cooperative] (production association) into the association law;
- economic and legal foundations for the formation of producer unions and product associations;
- management suggestions for the adaptation of the LPG and GPG [horticultural producer cooperative] to market conditions;
- suggestions for the development of an independent testing association for member companies.

[Schattenberg] What problems are already coming into focus?

[Rothnauer] The associations are producing too expensively, the management is insufficiently oriented towards profit and, as in the past, property and legal relationships are not yet clarified. The heads/presidents have to direct their attention more towards marketing rather than production and have to pay more attention to ecological demands. Currently, solutions are restricted by financial limitations. To change this, clear ownership terms, particularly for land, are absolutely necessary, e.g., the land in the FRG carries on the average a credit

load of DM4000/hectare. We should also be able to resort to this possibility for raising credit.

A contributing cause for the too expensive production is the too high personnel ratio. A central point of our advisory activity is the reduction of personnel while still providing social security to our association members. The associations should support side lines, such as processing, work shops, repair centers, open them to the public, define the construction section, e.g., for road construction and civil engineering. The legal entities can take many forms, private, as GmbH [limited liability companies] with association participation or something similar. The work shops could be leased. District and state associations provide detailed advice. The Leipzig district association has already done good preliminary work on this subject.

[Schattenberg] The retirement from land use also applies to our agriculture. Are there alternatives for affected concerns?

[Rothnauer] About 4.8 percent of our acreage has a soil value of below 25. It will become difficult to competitively exist on these soils. They will be completely withdrawn from use. But good soils will be affected too, e.g., in drinking water protection areas. We are here to help the operations remain marketable, even with ecological restrictions. Also against the still widely prevailing idea to produce as much as possible. Market economy really means that the market, the sales decide what to produce. Quality is demanded, uniformly, packaging adjusted to the customer. In this we should mainly concentrate on the own market and also continue traditional exports to the East European areas. Some have the idea that they could effectively operate with the subsidies granted in the FRG or EC and forget that those are consistently related to the acreage or the company and not to the product. Price and product subsidies heat up production. However, upon entry into the EC market we must not contribute to excess production. Equal chances for subsidies can only be attained through a strong association, through joint action by all.

[Schattenberg] But first important conditions have to be created in the GDR. What else does the association advocate?

[Rothnauer] For the debt relief of the associations! For the reimbursement of the compulsory insurance contributions, means which have been accumulated by the State Insurance on administrative pressure! For the reclaiming of the excessive material stockpile, which resulted from the botched mechanization policy! For the transfer of the expelled people's properties in the LPG to association property!

[Schattenberg] We wish you much success for the cited and all other plans.

## HUNGARY

**Count Bethlen on MDF Economic Program Policy**

25000732D Budapest NEPSZABADSAG in Hungarian  
7 May 90 p 8

[Interview with Count Istvan Bethlen, National Assembly representative and economic policy adviser, by Szilvia Hamor; place and date not given: "Squaring the Circle"—first paragraph is NEPSZABADSAG introduction]

[Text] He apologized several times for seeing me half an hour late as he came to greet me at the door. "You know, the problem is that Hungarian journalists not only ask questions, they also want to convince people," he explained. "Thus each interview takes longer than expected." I understood the tactful hint and limited myself to raising questions only. Thus the German journalist who was to follow me would not have to wait longer than half an hour, and I stuck to the time allotted to me by Istvan Bethlen. He returned to Hungary not too long ago as the economic policy adviser for the Hungarian Democratic Forum [MDF], and became a representative, in fact vice chairman, of the Committee on the Budget, Taxation, and Finance.

[Hamor] In the near future, the daily workings of government will raise some questions which demand immediate response. One of these is the requirement that the budgetary deficit be no greater than promised, because the country's stability and foreign credits depend on it. How can this be achieved in your view?

[Bethlen] I am afraid I will disappoint you, because at this time I am unable to go into such details as to whether the deficit will be 10 billion or 20 billion forints. When someone takes over a business, you know, he will first check what is in the cash register, what his obligations are, his accounts receivable, and his debts. In Hungary, however, at the moment no one, except perhaps the present finance minister and a few other members of the government, knows these amounts. The opposition parties which endeavor to form a government do not know what is, and what is not in the state coffers. Let me remind you of the fact that in the past six months we have learned of six different figures concerning Hungary's indebtedness. I would not rule out the possibility that the country's financial situation is perhaps better than what they said it was. But it is not worth philosophizing about that at this time. It is of importance that we cannot make a responsible statement about where we can take away 10 billion [currency not specified] from here and put it there, until we know the real financial situation.

[Hamor] The detailed budget was published in MAGYAR KOZLONY, as approved by the National Assembly. Could you not use that as a starting point?

[Bethlen] I do not believe that those figures are correct, to begin with. I cannot imagine that every figure they

included in that budget I thoroughly studied is correct. But what is even worse: Even if the figures are correct, they do not show the real situation of the country. This is because, despite the numerous reform measures, Hungary is still not a market economy, the banks have nothing to do with real banks, things that are called prices here have nothing to do with prices. These figures have been established over a shot of brandy in the course of various lengthy discussions, and they have nothing to do with real prices. Consequently, one cannot tell which enterprise is profitable and which one is running a deficit.

[Hamor] Accordingly, do real prices have to be established first?

[Bethlen] The first job is to find out what is in the state treasury. This can be resolved in a matter of a few weeks. The moment the new finance minister assumes his post and sits down with the head of the ministry that deals with wages, and the two together establish the appropriate guidelines, only then can the appropriate professionals accomplish this in the course of a few weeks. The same applies to the valuation of Hungarian enterprises from an international standpoint. In the course of a few weeks one can find out which enterprise is truly profitable, and which one was made profitable as a result of financial gimmicks.

[Hamor] Please give me a specific example as to the viewpoints that must be followed, and as to the professionals you have in mind.

[Bethlen] There are very many good professionals in Hungary. That is why the MDF stressed in its election campaign that we would take over every good professional, regardless of whether he was a member of the Hungarian Socialist Workers Party [MSZMP] or of the Hungarian Socialist Party [MSZP]. Even though most certainly we would have received even more votes had we said the opposite of this. And we are not raising the questions to these experts, as has been done in recent years when the enterprise president told the chief accountant that the firm must be profitable. We are seeking a picture without a veil, and that's what we are going to receive. And the same applies to the ministries and the offices.

[Hamor] Is it possible to receive such an unveiled picture without real prices?

[Bethlen] It will be based on poor assessments, nevertheless we will have a picture of the actual situation. This is what can be accomplished in the course of a few weeks. Then we can take the next step so that prices will become real prices, i.e. that the price of meat is not determined by one of the monopolies or a minister, but by the market instead.

[Hamor] How can inflation be harnessed within a foreseeable time period?

[Bethlen] We are not in a fortunate situation like the developed Western countries are, in which we could say that our greatest problem is how to defeat inflation. And this is the issue on which we differ with the advocates of outright capitalism, as for example the Free Democrats [Alliance of Free Democrats—SZDSZ]. As you know, the basis of the MDF economic program is a social market economy. We would have mass unemployment if we were to spend all our energy fighting inflation. We are unable to accept a level of 1 million unemployed, the figure SZDSZ representatives accepted in the course of a few debates. And this does not include the 4 million Hungarians who live on the borderline of the subsistence level at the moment. We cannot, and do not want to apply shock therapy. The essence of a social market economy is to streamline economic principles with social principles. For this reason we will decrease the present inflation rate of between 30 and 35 percent in the course of three years so as to reach single-digit inflation. We will do this in such a way that there will be no 1 million unemployed in Hungary, and so that the poor people in this country will not become even poorer.

[Hamor] This, however, means a restriction on the free market, on the free fluctuation of prices.

[Bethlen] Once again, this is not such a simple matter. Let's take, for example, energy prices, which they say today must be increased. But energy production is in the hands of monopolies, as it is everywhere else in the world. But costs would evolve differently if utilities providing energy were to be managed by, say, the capital city of Budapest and not by the state. What's of the essence is that these enterprises must be X-rayed, and as a result of that, light would most certainly be shed on much superfluous expense. It is possible that we would not have to raise prices if we were to reorganize in a sensible manner the enterprises that are now organized in a nonsensical manner, and if we were to place professionals in the places of nonprofessionals. And if the X-ray picture nevertheless indicates that a price increase is called for, a compensation must be provided for the price increase to the 4 million people I have been talking about continuously. For the same reason, it is possible that it will turn out that a few industrial enterprises are hopeless loss operations, yet for a while we will have to maintain those in order to reduce unemployment.

[Hamor] What funds could be used to compensate for price increases, and to maintain large enterprises which constitute loss operations?

[Bethlen] It is a fundamental feature of our economic policy that we provide all [possible] support to entrepreneurial undertakings where people working for gradually discontinued large enterprises could find employment. The backbone of the Hungarian economy must be formed by small and medium-sized enterprises. There will of course be some who are unable to find jobs in these ventures. Those who have trades for which demand has ceased to exist must be retrained. And there will be some for whom there is no other solution than to receive

unemployment assistance. But one has to be careful, because Western examples indicate that after a while a certain stratum finds out that even if unemployment assistance is at a low level, with an illegal job they may earn more money than by holding a job. In regard to this group, I find that it would be better to provide an opportunity for a sensible occupation. There we have, for example, sewage construction, a matter of great concern in Hungary. In addition, very many international institutions have funds to support these kinds of environmental protection works. Money could also be obtained from these sources.

[Hamor] This form of work actually exists already; they call it public service work. Similarly, unemployment assistance and retraining also exist. What would you do differently as far as labor affairs policies are concerned?

[Bethlen] The bureaucracy should be substantially reduced. The huge water head must be deflated, both in terms of the state as a whole, and at the local level.

[Hamor] Accordingly, you intend to invigorate entrepreneurship. This, on the other hand, can be accomplished with an appropriate tax and credit system. Do you have any specific perceptions in this regard?

[Bethlen] Of course. The very first step is to establish equal conditions for both foreign and Hungarian capitalists. This does not mean, as many have criticized, that we are against foreign capital. On the contrary, we welcome and stimulate the influx of Western capital. But the fact that Western capital enjoys all the benefits, while the average withdrawal from Hungarian small enterprises amounts to 88 percent, is no solution.

[Hamor] But if you reduce taxes and social security contributions, then this will once again increase the budgetary outlay.

[Bethlen] That is correct. Squaring the circle consists of the fact that we must find the answer to this question, because otherwise there is no economic development and social security. We must also comb through the state household, and I am convinced that there is an awful lot of unnecessary expense because I am familiar with Hungarian plants and ministries, and because I have reviewed the 1990 budget. These can be wiped out without causing trouble to anyone. And the privileges must be abolished: An impoverished country does not need a rich leadership stratum. Ministers should act as ministers in the original meaning of that term, i.e. they should be the servants of the nation, and should not be the first ones to have acquired privileges. True, these kinds of savings do not produce billions in savings, but we will be able to realize large savings in the state household if we follow through with this principle consistently.

[Hamor] You said that within a few weeks you will be able to see through the real situation of the country, and



then you will be able to discuss the economic policy tasks in specific terms. I would like you to grant me another interview.

[Bethlen] Certainly, there is nothing in the way of that; I will be pleased to be interviewed again.

### **Reprivatization: Actions, Issues, Problems Described**

#### **Actions Brought, Possible Alternatives**

90CH0119A Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Apr 90 pp 69-71

[Article by Gyorgy Fahidi: "Reprivatization Question Marks: Our Property Pitfalls"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] A committee for recovering agricultural property has been formed in Fot. The first lawsuits for the recovery of nationalized residential buildings have been filed with the courts. And the Smallholders Party, a prominent player in the bargaining on forming a coalition, is toying (among other things) with the idea of restoring ownership of farmland as it existed before collectivization. Is there any legal and political reality to reprivatization, through which the one-time owners or their heirs would recover small holdings, as well as the [Manfred] Weiss Works, and provincial pharmacies and residential property in Buda?

"A proportion of the private owners of residential buildings are neglecting to have even the most essential renovations done on them. As a result, the state of the housing stock, a national asset, is rapidly deteriorating." This quotation is from Law Decree No. 4/1952 on the Nationalization of Residential Property. In the course of the previous change of regimes, the state gained far too much: Practically the entire national wealth at the time became state property. But this also means that now, in conjunction with the present change of regimes, it might be possible to recover a huge amount of assets, and that the returning of even a square foot of land could trigger an avalanche of actions for the recovery of property.

On the basis of the statutory regulations now in force and current judicial practice, is there any chance of winning such lawsuits? So far three suits have been filed with the Pest Central District Court (PKKB), each for the recovery of nationalized residential property. As we hear from Judge Matyas Meszaros, the senior justice of a division, the court has not passed judgment in any of these cases: In accordance with their duty to instruct litigants, the judges hearing these cases informed the plaintiffs that they would have to bear the costs of litigation if they lost, and that the costs would be six percent of the amount of the claim, or a minimum of 150,000 forints. Upon hearing this, the plaintiffs withdrew their actions.

Judges, of course, may not say that possible actions for the recovery of property cannot be won, because that

would be prejudging such lawsuits. They may decide this question only when they pass judgment in specific cases. Nevertheless, Judge Matyas Meszaros presented the following reasons why a plaintiff's prospects of winning an action for the recovery of residential property are slim. Law Decree No. 28/1957 made it possible to reclaim nationalized residential property not more than six rooms in size. Petitions to reclaim such property had to be filed with the local councils by 31 August 1957. After the expiration of that time limit, Government Decree No. 1027/1963 provided a very peculiar solution: It extended the time limit for filing until 31 March 1964, but also declared that any petitions filed thereafter would have to be rejected without considering their merits. Anyhow, a few people did recover their one-time real estate property in this manner.

Since 1963 there has been no new statutory regulation on returning state property. (Incidentally, the regulations cited so far are not included in any of the collections of statutory regulations in force; one can find them only in the appropriate back numbers of the official gazette.) Thus anyone filing such a petition now has missed the time limit by 26 years. However, this does not apply to houses of more than six rooms, to "capitalists and oppressors of the people." The most probable reason for judgment against the plaintiff in such cases would be that action for the recovery of property may be instituted only on the basis of an illegal, contestable [administrative] decision. (The claim itself is not barred by the statute of limitations; the interested party, for instance, can contest without any trouble a will made 40 years ago.) The statutory regulations on nationalization, regardless of their political and moral assessment, are legally binding and cannot be challenged in court.

Besides action for the recovery of property, another possibility is to claim compensation for damages. The original statutory regulations themselves provide a basis for this. Namely, most of the laws and decrees on the nationalization of factories and capital equipment promised the owners compensation, just as Law Decree No. 4/1952 did. Indeed, foreign owners have partially been compensated, although the amounts they received do not qualify as even token compensation. Thus there seems to be a precedent that the owners who have not received compensation could cite. Judge Matyas Meszaros argues against this as follows: The legal basis of claiming compensation for damages is that the claimant suffered an actual loss resulting from someone else's illegal behavior, and that the claim is not yet barred by the statute of limitations. However, nationalization can hardly be termed illegal. The legal successors, heirs, cannot contend to have suffered a loss; it was their parents or grandparents who actually incurred a loss. And last but not least, the statute of limitations for such claims is five years.

But compelling arguments can be lined up against the applicability of the statute of limitations. It needs no further explanation that, until recently, persons whose property was nationalized had no opportunity to enforce

their claim for compensation. Anyone who might have attempted to claim back his one-time factory or plant in the 1950's, or perhaps to institute action against the state, would soon have become acquainted with the natural beauty of the Recsk [concentration camp] area. An order assigning the person to an insane asylum would have been the likely response even in subsequent decades. Therefore it could be a realistic legal assumption that, during the mere 40 years between the two changes of regimes, the statute of limitations for claims arising from nationalization was "suspended," to use the legal term; hence the statute of limitations could be said to run from the time when the institution of action has again become a realistic possibility. But let us stick to the facts: There certainly have been no judgments recently in actions for the recovery of property or in nationalization-related compensation cases; attorneys have not instituted test cases; and even lawyers who, as former owners or heirs, may have something to recover have been refraining from instituting actions. All of this indirectly supports the judge's opinion that, on the basis of the statutory regulations now in force, it is not worth while to bring the one-time nationalizers to court.

Other lawyers are placing emphasis on the practical questions, rather than the legal ones. Against whom could action for the recovery of nationalized real estate be instituted? In most cases, the property confiscated then has long ago ceased to be managed by the state. Often even its state ownership has ceased. The original buildings, factories, and equipment may have been destroyed or converted. Obviously, the state budget is not in a position to afford compensation to the one-time owners. At best it might be possible for the state to undertake to pay compensation eventually, after an indefinite period of time, if and when the economic situation will allow.

Parliament probably will have the final say on this issue as well. Precedents already exist. In its resolutions No. 34-37/1990, for instance, the National Assembly has recognized that many of the statutory regulations and decisions promulgated or adopted during the past 40 years had perhaps been formally legal, yet they wrongfully inflicted injury and loss on many people. Therefore the National Assembly has declared that the persons who were persecuted in 1938-45 because of their race or nationality, the members of the German minority on whom collective vengeance was wreaked, the forced laborers hauled off to the Soviet Union, and the persons unlawfully imprisoned between 1945 and 1963, for example, all deserve compensation for the wrongs they suffered. But as far as actual compensation is concerned, the National Assembly grandly instructed the Council of Ministers to eventually draft and submit the necessary legislation.

[Box, p. 70]

#### Development of Apartments

One of the ads in marketing state-owned real estate could read: "Buy back from the state at a discount what was

once yours." The director of the Budapest Real-Estate Enterprise (FIK) is getting more and more callers telling him that the building in which they are living, and where they could now buy their apartment, belonged to them before it was nationalized. If it was taken away from them for 40 years without payment, they would now like to get it back without payment. But the FIK is merely the real-estate agent selling state-owned property; the decisions are being made by the local councils and the IKV's [real-estate management enterprises]. And their decisions are eminently suitable for confusing property relations even more.

The latest "gem" concerns conversions of attic space. The IKV's reject the requests of tenants who have large families and would like to enlarge their rented apartments in state-owned buildings by converting the attic space; very often the IKV's do so even when the tenant is willing to foot the bill for the conversion. But the attitude of the IKV's changes immediately when an entire building can be sold to its tenants. In such cases, according to a new and unquestionably ingenious idea, the state retains ownership of the attic space. That way several "splendid" objectives can be achieved at the same time. The tenants are unable to cover the substantial cost of renovating the building by selling its attic space. And the IKV's ensure work and income for themselves (i.e., their own survival) for a good many years in advance. All they have to do is to sell off gradually the "twice nationalized" attic space.

#### Legal History of Expropriation

90CH0119B Budapest FIGYELO in Hungarian  
12 Apr 90 p 11

[Article by Sandor Orosz: "The Calvary of Property"—first paragraph is FIGYELO introduction]

[Text] At the time, the state took over more than 32,000 estates with 5.6 million cadastral acres of land; 1,500 manor houses; 500 distilleries and mills; also 175 village smithies, cartwright's workshops, and soda-bottling plants; and 400,000 small agricultural implements. But the compensation that the law guaranteed the owners has not been paid to this day.

It all began 45 years ago! Sitting in Debrecen, the Provisional National Assembly approved, and gave statutory force to, a decree proclaimed repeatedly as being of historical significance. It abolished the system of large estates and gave land to the tillers of the soil.

Section 51 of Decree of the Council of Ministers No. 600/1945 provided that if land confiscated or expropriated under the land reform was not available, any vacant land or part thereof could be expropriated for building lots or in the public interest, against compensation equivalent to the land's actual full value.

### From Manor Houses to Smithies

Section 26 of Law No. IX/1946 on Settlements and on Promoting the Land Reform's Completion provided that compensation equivalent to the actual full value of the real estate expropriated in the public interest must be paid within five years from the day the real estate was taken over.

By amending Section 26 of Law No. IX/1946, Section 7 of Law No. XXIV/1949 extended this time limit to a maximum of ten years from the day of the real estate's takeover.

The official statistics for 1948 reported that 32,260 estates had been nationalized, against a promise to compensate the owners. The acreage of the land belonging to these estates exceeded 5.6 million cadastral acres, which was about 35 percent of the country's total acreage of arable land.

Against a promise of compensation, the state expropriated in this manner all but the first 100 cadastral acres (the first 50 cadastral acres within a radius of 30 km around Budapest) of estates not exceeding 1,000 cadastral acres. Estates above that size were expropriated in their entirety; and so were, regardless of size, the estates belonging to business associations established in accordance with the Commercial Code, to pension plans, and to social security institutions.

Vineyards and orchards, except for their first 20 cadastral acres, were likewise expropriated, but with the stipulation that there would be no change in land use on either the retained or the expropriated acreage. The surplus acreage of the villages' common pastures, and all forests larger than 10 cadastral acres were expropriated in the same way. Ownership of the fishponds, livestock, farm implements and buildings, etc. belonging to the expropriated estates passed to the state.

On the basis of all this, the state took over more than 1,500 manor houses and mansions on more than 8,000 cadastral acres of land; over 500 distilleries, mills, and other agricultural processing plants; 175 shops and small-scale plants (village smithies, cartwright's workshops, soda-bottling plants, etc.); and 400,000 small agricultural implements.

### Secret Resolution

However, nothing was done about compensating the former owners until 1957. That year the Presidential Council promulgated its Law Decree No. 11/1957 on Ending the Restrictions in Conjunction With Settlements and the Land Reform, and on Determining the Amounts of Compensation for Expropriation. Section 3 of this law decree amended Section 7 of Law No. XXIV/1949, to extend until further action by the legislature the time limit within which compensation had to be paid for land expropriated in the public interest.

From this law decree one can infer that, for political considerations, neither the government nor the party

dared to declare the promised compensation null and void after 1956. Instead, they deferred the problem, while continuing to recognize the validity of the compensation claims. They dressed this up in legal language by suspending the payment of compensation until the enactment of further legislation.

This provision meant that the one-time owners of real estate expropriated in the public interest—mostly people with low incomes—could not get the compensation guaranteed them by law, not until further legislation authorized the payment of compensation. Recognizing that this situation was untenable, on 28 January 1957 the Revolutionary Worker-Peasant government adopted an internal resolution providing for the payment of advances on the compensation payable in conjunction with the land reform.

### Advances on the Compensation Due

This resolution, of course, was not made public. It authorized the finance minister to advance to the persons concerned up to one-half of the compensation due, in cases that merited special consideration. But it also specified that the combined total of advances paid in any given year could not exceed the total redemption payments received [from land recipients] that year.

This provision leads to the conclusion that peasants who had received land earlier were entitled to a refund of their redemption payments if their land was subsequently expropriated for building lots or in the public interest. The minister of finance was authorized and instructed to prepare and issue, in agreement with the minister of agriculture, the detailed rules for paying advances on the compensation due. But nothing was ever done about this, nor about drafting the necessary additional statutory regulations on paying compensation.

In the final outcome, this mode of regulation enabled some persons, the ones who were not afraid to bombard the authorities with applications and petitions, to obtain a few thousand forints on the grounds of equity, as an advance on the compensation owed them.

The aspiration to become a rule-of-law state and the voicing of this principle are encouraging the former owners or their descendants to demand that the state either honor its earlier compensation promises made under the pretext of nationalization, or restore their ownership of the nationalized property.

And the common man is not alone in pressing such demands. The former owners whose estates were nationalized, under the pretext of land reform and against the promise of compensation, are also coming forward.

### A Debt of 500 Billion

The standpoint on the question of land ownership unquestionably affects the shaping of a standpoint on compensation for other property as well.

One cannot lose sight of the historical fact that practically every year between 1945 and 1952 saw a new statutory regulation ordering the nationalization of something or other, naturally against the promise of compensation. During the mentioned period, however, such assets as mines, power plants, energy-generating plants, industrial and transportation enterprises, and financial institutions were privately owned.

Because during that period no meaningful attention at all was devoted to the question of compensation, today it is only possible to estimate how much of a burden honoring the promises made in earlier statutory regulations would place on the national economy. The estimates range from 100 to 500 billion forints. That much money simply does not exist, at least not at present!

Although not on a mass scale as yet, the former owners or their descendants are already coming forward to enforce their claims for compensation or for recovery of their property. And among them there are also foreigners, not just Hungarian citizens. Naturally, the original state of ownership cannot be restored: if for no other reason, because that would create further wrongs.

#### Buy What Was Yours

Perhaps the most controversial issue on the eve of property reform is the nationalization of residential property on the basis of Law Decree No. 4/1952. Hungary is coping with serious housing difficulties. There are problems with new housing construction, and also with the maintenance of the existing stock of state-owned housing. Admittedly, since late 1969 it has become possible to privatize state-owned housing. Until the early or mid-1980's, however, the primary purpose of this authorization was to enable the state to rid itself of the buildings where ownership was mixed [state and private].

This process has been accelerating since the mid-1980's, already because the statutory regulations enable buyers to acquire such apartments on very favorable terms.

But the sale of state-owned apartments is arousing ever-greater resentment among the very people from whom these same apartments were taken away in the 1950's. True, residential properties were nationalized against a promise to pay their owners compensation. But, as with other nationalizations, the statutory regulations on paying compensation have never been framed.

For that very reason the citizens whose property was nationalized, and their heirs, respectively, feel that it is not only outrageous but also very unjust that the Hungarian state is now offering to sell property, which it nationalized without compensation, even to those former owners who are still living in their former property.

For the new government it will not be an easy task to solve, on the basis of a political and parliamentary

consensus and to everyone's satisfaction, the pile of problems that we have kept sweeping under the rug for the past 45 years.

#### Western Consultants on Privatization Hired

25000729A Budapest NEPSZABADSAG in Hungarian  
5 May 90 p 1

[Article: "Hungarian Government Seeks Advice From Western Firms on Privatization"]

[Text] The Hungarian Government has asked three well-known Western firms to provide consulting services in regard to privatization, the AFP French news agency reported with reference to the Thursday [3 May] announcement of the firms in London.

The three Western firms are: Barclays de Zoete Wedd, Limited, a securities and investment firm belonging to the British Barclays bank; Price Waterhouse, the international accounting and management consulting firm; and Baker & McKenzie, the British legal advisory firm [as published]. The three firms will be represented in the international advisory group which, alongside with the State Property Agency, will help implement the privatization program. Hungary is first among East European countries to utilize Western advisers in this regard. Price Waterhouse presently maintains a 60-employee office in Budapest. The office of Baker & McKenzie has been operating in Budapest since 1988. Barclays de Zoete Wedd intends to establish representation by the end of the year.

The AFP quotes a statement made by Istvan Tompe, head of the State Property Agency established in January. According to Tompe, using tested international advisers enhances the rapid implementation of the privatization program in a manner responsive to the public interest. In the upcoming years \$32 million [as published] worth of industrial property may be privatized in Hungary, Tompe said.

#### Critical Jobless Areas Designated; Large Enterprises Benefit

90CH0083A Budapest FIGYELO in Hungarian  
29 Mar 90 p 15

[Article by Maria Lado and Ferenc Toth: "Critical Employment Districts: They Cannot Be Found on the Map"—first paragraph is FIGYELO introduction]

[Text] The Council of Ministers made its decision concerning the so-called critical employment districts. Experience tells us that once again it is the large enterprises that will benefit the most. Most of the workers threatened by unemployment, on the other hand, can hope to gain nothing from the new regulations.

Let us begin with a practical problem. During its 28 November meeting the National Committee for Reconciliation of Interests (OET) selected 90 communities

from Baranya and 12 from Tolna counties, in the economic environs of Pecs, as the first "region with critical employment problems." Among other things, this decision allowed the region's residents to hope that the resources of the national budget will be used to assist them with their difficulties. After all, the relevant decree talks about financial resources that "may be removed from the Employment Fund and used to provide additional support to regions that are facing employment problems."

After 1 January, more and more "residents of the region having employment problems" made their way to the local employment agency, making inquiries about such things as relocation loans and state-provided severance allocations, which were promised them. After they were provided with the much-needed expert interpretation of applicable regulations and, frequently, had their appeals rejected, they were shocked into the realization that the unemployed who reside in these critical regions, or those workers who sense the threat of layoffs, do not all have the same rights. Some of them are, others are not entitled to assistance. What the regulations say is that the various extra assistance (the state-provided severance pay, the relocation loans, or the allowances designed to aid private enterprise) are receivable only by those whose "employment has been discontinued as a result of disappearance on the part of employers who were taken into consideration in defining the critical regions." As for who these employers are, the worker may either look this information up (if he can find the unpublished regulations) or he can accept the brief and bureaucratic explanation that the regulation applies only to workers of the Mecsek Ore-Mining Trust or to those of the Mine-Shaft-Deepening Trust who were assigned to the above firm. The reason given is that in defining the critical region the OET took into consideration only work cessations at these two firms, and thus the promised central assistance is only applicable to these workplaces.

### Once Again the Large Enterprises

The state regulation concerning these critical regions is full of contradictions; primarily because, once again, we see new employment regulations that are designed to aid only enterprises. Moreover, whether by design or not, the regulations favor only the larger ones among the firms, because the smaller ones still do not have the unifying and representative clout to have their regions designated as critical. In addition, we must observe with disappointment the prevalence of the approach that tries to solve the workers' problems by using the enterprises' position as a start.

Due to the stipulations of the regulation, the regions, which are supposedly geographical or administrative units, may be of varying size and shape, depending on the given area's population density, or the concentration and character of its industries. At the same time, the number of factories that can be grouped and regrouped into regions can be changed and enlarged without limitation. In other words, under certain circumstances the

whole of a thinly populated county, a town, or a town's environs, or even a single factory with its neighborhood could be declared a critical region. In Budapest we have already seen newer, seemingly unsolvable problems of interpreting the rules. For example, which districts or residential blocks will have to be declared critical when bankruptcy procedures get under way in the case of the Ikarus bus factory?

### Elastic Districts

When it comes to defining the critical regions, one may take various actions: play strategic games, gamble, or start lobbying. Authorities can and will consolidate firms and regions in accordance with their desire to meet certain conditions. Since for the time being there is no system providing accurate and up-to-date information about the Hungarian labor market, we cannot determine what consequences the elimination of a certain firm would have for a residential region or profession. As a result, in any given situation one can only estimate the required proportions, such as the degree of joblessness. One can imagine what kind of decisions will be made concerning the determination of critical regions at times when there is still some money in a given year's Employment Fund, or when the money in the Fund is running out.

In other words, the critical region is defined in an "elastic" manner. Its borders can be drawn anywhere: Certain districts can be excluded even though they are organic parts of the local labor market and others can be included even though they are far outside the realistic borders of the district. On the other hand, defining the borders in this manner satisfies the requirements of the regulation. One may even apply the regulation in such a manner that it becomes an instrument of punishment or reward.

But let us consider the case of when they lay off a thousand workers from one firm at one time, and thus make the commuting district of that firm a critical region. In this manner certain villages or small settlements can become parts of critical regions, because some of their residents are employed by bankrupt firms, while a neighboring community that has no commuting residents remains outside the critical region, regardless of their realistic employment tensions. In an absurd case it could even happen that critical regions are made up of communities other than the ones in which the employment situation is in fact critical.

Evidently, the term "critical region" can be interpreted in numerous ways. At any time one can demand that the borders of critical regions be expanded or a new region be declared critical. Time will come when entire parts of the country can ask for the distinction(?) of being declared critical regions and the privileges that go with that title. And developments indicate that it will be difficult to stop the process. (Editor's note: Recently, for example, Fejer county made exploratory moves in this



regard; and if it were granted the "title," we could hang up a sign at Hegyeshalom and Battonya: "Hungary: Critical Region!")

However, regardless of how local will in seeking to be declared a critical region shapes and distorts the contours, as of now the situation is that the "board of experts" and the OET, who evaluate these requests, do not distribute funds among local residents on the basis of "equal chances," but on those of "enterprise location" and the place of employment. The new decree, thus, placed the laid-off and unemployed residents of critical regions into a radically different situation, greatly contributing to the social tension that has existed for some time around the problems of employment. In this manner, the result was the opposite of what was intended and now the question is: How do we get out of this trap?

The government should openly take responsibility for the workers of enterprises that became victims of the structural transformation, those who find it much more difficult to adjust to the new circumstances than the average citizen.

In our view, the regional approach and the coupling of the allocation of additional resources to districts should not be exhausted in the resources that are given to the workers as "painkillers" at the time they are laid off. It is no accident that in England, for example, where quite drastic layoffs and plant closings have taken place during the recent decades, everyone affected by these actions was entitled to severance pay (although of varying amounts), regardless of what organization they worked for, in which region they were laid off, or whether the layoff involved one person or large numbers of people.

#### Chances and Assistance

When it comes to critical regions, it should be acknowledged that those who lose their jobs have much slimmer chances of finding new ones, and must make greater exertions in order to accomplish this than the average worker. This distinction could be recognized in such ways as, for example, temporarily allocating unemployment assistance for longer periods of time to those in certain regions, as has been done in a number of market economies. In other words, in these critical regions we

should apply certain resources of labor policy, augmented by additional assistance, which result in creating a prepared labor pool awaiting the new professions we are trying to attract to the regions and well-trained business persons being ready to join the new enterprises. In other words, the regional dimension should be manifested in such matters as assistance to encourage enterprise, subsidies to ease relocations, and retraining to aid the start of independent endeavors, instead of in defining severance pay of varying amounts. When it comes to being able to obtain these resources, however, every resident of a critical region should have equal chances, rather than opening up opportunities to the former workers of certain "handpicked" enterprises.

Looking at it this way, it would be more logical to talk of "districts receiving additional support," instead of using the humiliating term "critical region." It is a basic condition, however, in defining these regions that the we should examine the situation of various regional labor markets together, and establish a ranking of urgency in accordance with the seriousness of their situation. In order to do this, we need an information system on the labor market which would provide a continuous and up-to-date picture of employment, thus indicating which regions are entitled to become "districts receiving additional support," the idea being that we should make it easy to get out of that category as well as to get into it.

**Labor Force Situation in the Critical Districts at the End of 1989 and in Early 1990**

| Critical Districts     | Number of Positions Expected To Be Abolished | Labor Demand in Critical Districts (number of persons) | Number of Persons Uncertain of Continued Employment | State Subsidies Expected (millions of forints) |
|------------------------|--|--|---|--|
| Egercsehi              | 320 (736)                                    | 0  | 320   | 210  |
| Recsk Region           | 460  | 0  | 460   | —  |
| Batonyterenyé & region | 2,800-3,300                                  | 1,200-1,300  | 2,100   | 360  |
| Ozd & region           | 2,350  | 300  | 2,050   | 130  |
| Pécs & region          | ?  | 2,201  | ?   | 500  |

## GERMAN DEMOCRATIC REPUBLIC

### Minister Interviewed on School Reform

90GE0110A Hamburg DER SPIEGEL in German  
14 May 90 pp 44-55

[Interview with Prof. Dr. Hans Joachim Meyer, GDR minister of Education and Science in East Berlin, by Martin Doerry and Manfred Mueller; in Meyer's East Berlin office, date not given: "I Have Confidence in Our Teachers"]

[Text] [DER SPIEGEL] Mr. Secretary, for 26 years you have worked at the East Berlin Humboldt University as an Anglistics professor. Usually such jobs were reserved for confirmed Marxists—do you really think you are the right man for the office of minister of Education in the new GDR?

[Meyer] This type of question can actually only be asked by someone who comes from the FRG and who obviously prefers to view the complicated reality of the GDR in black and white categories. During the years from 1955 until 1958 I studied law at the GDR's Academy for Political Science and Jurisprudence and was then relegated to the "working class because I did not have the right connections." My career since then differed happily from that of many Christians in this country only because I encountered tolerant colleagues and superiors.

[DER SPIEGEL] And you yourself have done nothing to further it, you did not make any compromises?

[Meyer] Of course, I made compromises. But what matters is whether one caused harm to other people—and in my case that is out of the question. Certainly I also kept silent about certain things if I was not asked directly.

[DER SPIEGEL] Those times are evidently past, your opinion is of interest—as, for example, next Wednesday when you meet with your colleagues from the Federal Government and the Laender. Education Minister Moelleman wants to [discuss] the timetable for an educational union....

[Meyer] ...I do not use this term.

[DER SPIEGEL] What do you have against an educational union?

[Meyer] The all-German educational scene has a different quality than the monetary, economic, or social union. A state treaty on educational issues between the FRG and the GDR makes no sense. This is a responsibility of the Laender in both parts of Germany.

[DER SPIEGEL] Then you have absolutely no say in it.

[Meyer] I feel it is my responsibility to lay the groundwork for the future contribution of the lands of the present GDR in the all-German education scene. The

fact that we also have to consider that the educational systems in both states will harmonize is written on another page.

[DER SPIEGEL] Meaning: You will make every effort that the GDR high school abitur [examination] meets the requirements of the conference of the West German ministers of culture, education, and church affairs?

[Meyer] Not in the way you just put it. Even in the FRG the validity of diplomas and final examinations is determined by the individual Laender. The nationwide recognition is then based on a consensus of the cultural ministers—and you know better than I do that your country still has some diplomas that are not recognized throughout the FRG.

[DER SPIEGEL] Such reservations don't exactly improve the level of the GDR high school abitur either.

[Meyer] That is another issue entirely. Of course, it is in our very own interest to review our present curricula, examination regulations, and university study programs as to whether they are suitable for people in the GDR in the future.

[DER SPIEGEL] And what conclusion did you reach?

[Meyer] That, for example, the grading system in the GDR schools was questionable. It can't be denied that it was the nature of our educational system to judge the value of a teacher's pedagogic work by his students' grade average—certainly a grotesque concept. With the elimination of the Stalinist commando system in the GDR's education the conditions for such a distorted grading system have been removed as well. I have enough confidence in our teachers to know that they are thoroughly capable of grading correctly and fairly.

[DER SPIEGEL] Under these circumstances, do you accept the decision of the West German cultural ministers conference to establish a quota system for university students from the GDR?

[Meyer] Definitely, for a transitional period. This regulation is in the interest of young people in the FRG because university applicants from the GDR, in spite of their usually very good grades, would not receive any preferential treatment. On the other hand, it helps the young people over here because their abitur is in fact being recognized.

[DER SPIEGEL] But the cultural ministers conference demands much more from you than merely decent grades.

[Meyer] More important, no doubt, is the problem of the ideological transformation, particularly in the liberal arts subjects. Here we shall submit new guidelines in the near future. It is simply a matter of attaining a cosmopolitan orientation. I dare say that on the other hand our education in science and mathematics subjects is at least as good as in the FRG.

[DER SPIEGEL] You'll have great difficulty proving your daring.

[Meyer] This is demonstrated by the instruction time alone that is dedicated to these subjects over here.

[DER SPIEGEL] GDR graduates with abitur lack a full school year compared to the West German ones.

[Meyer] But in these 12 school years we make an above-average investment in science subjects and mathematics. We have to make up a lot in foreign and in the classical languages, the latter having been scandalously neglected. A definite shift of emphasis must take place in this area....

[DER SPIEGEL] ...as spoken by the linguist Meyer.

[Meyer] Others say it too. By the way, I do not want to exclude at all the possibility that some day the introduction of a 13th school year will be considered. But right now we have other worries. In the FRG this discussion actually takes place the other way around.

[DER SPIEGEL] The result might be that West Berlin students change to the 12th grade of an East Berlin school to graduate one year earlier.

[Meyer] An interesting alternative, which we should give some thought. But I think it would be the exception.

[DER SPIEGEL] Starting with the new school year the GDR schools' two-year abitur level is being expanded by so-called achievement classes for students of the ninth and 10th grade. Does this mean the beginning of the end of the 10-grade standardized school?

[Meyer] Not exactly. In fact, we plan to go beyond that. This differentiation could start as early as the seventh grade. However, it should not lock in the student irrevocably. At various points on the general education course optional decisions must be built in. The motivation to learn, one student develops it early the other late and the next maybe never at all. Within the scope of our reform efforts we should try out various models of differentiation.

[DER SPIEGEL] And what else do you want to try out? In the FRG, this debate has taken place ad nauseam of all those concerned.

[Meyer] We have a totally different background of experiences here in the GDR....

[DER SPIEGEL] ...but before long the same problems as in the FRG.

[Meyer] I am not so sure about that. It is my impression that there exists a rather broad consensus here that our 10- and 12-grade school should be differentiated as much as possible, although still retaining a system that is comprised of mutually compatible elements, so that permeability is preserved to the ultimate point. Therefore: differentiation yes, but selection no.

[DER SPIEGEL] Selection in what sense?

[Meyer] Selection as an irrevocable decision in a certain age group. The door to the abitur, for instance, must never be slammed shut for good.

[DER SPIEGEL] That sounds as if the standardized school is to be turned into an integrated comprehensive school after the West German model.

[Meyer] I am not going to get involved in any of these terms because I know perfectly well this would maneuver me into a discussion, which in the FRG by now has reached the dimensions of a religious war. We should start with the critical experiences of the standardized school—which was but a caricature of a standardized school. And we should adhere to the principles of equality in educational opportunities and the permeability of our educational course, combined with the maximum degree of differentiation within this system.

[DER SPIEGEL] In the long term, though, you do not rule out the organization of integrated comprehensive schools or "gymnasiums" in the lands of the present GDR?

[Meyer] I neither can nor want to do so.

[DER SPIEGEL] And what are you planning to do with those teaching faculties which have already decided to start the integrated comprehensive school practice as early as the next school year?

[Meyer] All of us have had very bad experiences with the rigid and centralized educational system. Against this background I can understand overreaction only too well. But I must state unequivocally: The general conditions of the public system are determined by the democratically authorized state authorities and not by the faculties of individual schools.

[DER SPIEGEL] And what are the chances of those action committees who want to open independent schools, for example, Waldorf schools, as early as September?

[Meyer] That is a different matter. In our coalition agreement there is a clear statement for independently supported schools. It is a challenge to public education. I attach great importance to such alternative schooling concepts. Therefore we shall grant these initiatives, as quickly as possible, the necessary legal framework for the organization of their schools.

[DER SPIEGEL] As early as the coming school year?

[Meyer] We are trying but time is short.

[DER SPIEGEL] In the core of the state educational system, in polytechnical schooling, time is already running out for you. Many operations are obviously no longer able to honor the training agreements with the schools.

[Meyer] And some of them are not willing even though they might be able to.

[DER SPIEGEL] In your opinion, does it even make sense to continue this polytechnical schooling, as controversial as it is?

[Meyer] Generally yes. Only the approach so far has been grotesque: The expectation was that children and adolescents would receive a kind of ideological conditioning through the atmosphere of the factory or the agricultural operation. Right now we are working on a new concept for this subject. The development of practical capabilities and the knowledge of economic realities are simply indispensable for an all-round education.

[DER SPIEGEL] But many cooperatives do not want to train any longer, it involves too much time and money.

[Meyer] We are talking about unilateral cancellations here to which no one is entitled. In one of the first sessions of the Council of Ministers we have already introduced bills to safeguard the polytechnical schooling. And at present we are clarifying the legal and tax options for the continuation of these instructions in our operations.

[DER SPIEGEL] Would you also want to keep the term "polytechnical high school"?

[Meyer] I think it's a ridiculous term.

[DER SPIEGEL] So what is your alternative then: comprehensive school or "gymnasium"?

[Meyer] You are not going to pin me down on any of these terms. The abitur level might be called "high school," the entire system simply "school."

[DER SPIEGEL] And the teachers who teach in this school—are they going to be employees or public servants?

[Meyer] I favor a regulation under public service laws.

[DER SPIEGEL] After this sentence you are pronounced an honorable member of the philology association—or maybe you are already?

[Meyer] I am the prime mover of the philology association in the GDR, which was founded in April by colleagues of the Humboldt University.

[DER SPIEGEL] What in the teaching profession is state-supporting to the extent that only public servants can practice it?

[Meyer] We have experienced the teacher as an executive instrument of a government power. We now give him some space, and we want to legally secure this free space, his own responsibility. The public-service law regulation shall protect the teacher from any type of political intervention.

[DER SPIEGEL] Is it your intention then to immediately give public servant status also to those teachers who only in the past months made the switch from state security police into the schools?

[Meyer] Hold on now. Even my predecessor in this office, Prof. Hans-Heinz Emons, has taken a clear position in this respect: These individuals, provided they have the necessary pedagogic qualifications, can on an exceptional basis and only if their circle of colleagues agrees have a chance to qualify. I know, however, that this has not always been followed. A number of cases will have to be revised.

[DER SPIEGEL] Some 25 percent of the respective age groups have already applied for the achievement classes nine and 10 starting in the fall. Until recently, only about 10 percent of one age group finished with the abitur in the GDR. The decision on acceptance into the achievement class is made by the school principals—and with very few exceptions these are still from the old SED [Socialist Unity Party of Germany]. Can you be certain that once again political orientation will not be the only criterium for selection?

[Meyer] The decision is made solely according to the achievement level of each individual student.

[DER SPIEGEL] Meaning the grades in the last report card. You yourself called the grading system in GDR schools grotesque. If almost all students have marvelous and therefore equally good grades, this leaves the principals a large margin for their very own likes and dislikes.

[Meyer] In fact, we are anticipating appeals. You are touching on a point that has to be settled in general. We are facing important decisions regarding the school's administrative structure.

[DER SPIEGEL] Does this mean that you will dismiss the SED principals?

[Meyer] One has to set realistic goals. We are considering to invite new applications in general for the administrative functions of the abitur levels, for example.

[DER SPIEGEL] The Soviets have been less considerate during the postwar years: They fired almost all Nazi teachers and gathered new people who were trained in crash courses.

[Meyer] This is not my intention! We must work with the people who live in this part of Germany. I am in favor of winning the people and not of excluding them.

[DER SPIEGEL] At the GDR's universities hundreds of university instructors have represented the subject Marxism-Leninism. Do you believe that these professors too can relearn quickly—or even want to?

[Meyer] It is true, these professors and lecturers belonged to the now dissolved departments for Marxism-Leninism but they all represent a certain subject, be it as philosophers, historians, or economists. And since our

universities so far have but very few political and social science professorships we shall offer such positions. And naturally even an individual who previously worked in the Marxism-Leninism department may apply—provided he or she has the necessary expertise.

[DER SPIEGEL] These reappointments are decided upon by former colleagues. Do you honestly think that a critical assessment of expertise is to be expected here? Even now many complaints are heard from the universities that old rope parties are being revived for the mutual protection of positions and sinecures.

[Meyer] I shall not condone fraudulent labels. I have already refused to sign documents for reappointments. To be sure, not many have been submitted to me and I am actually asking myself where the other documents have landed. Probably, one has taken a wait-and-see attitude. First we have to clarify what changes have taken place during my predecessor's term.

[DER SPIEGEL] You are afraid fraudulent labeling has long since been perfected?

[Meyer] I am going on the assumption that a lot has already happened without the ministry having been consulted. These events are now under legal review. In any case, an appointment requires the minister's confirmation.

[DER SPIEGEL] A considerable number of GDR professors is either politically handicapped or incompetent—say in economics or jurisprudence. The West German cultural ministers all the same demand a strong expansion of study slots at the universities of your country. How shall that be accomplished?

[Meyer] First of all: This number has been increased already, in the Berlin area alone by 48 percent for beginning university students. In the winter semester ahead, 5,000 more graduates with abitur than last fall will start their university studies. But we are also reviewing all other possibilities.

[DER SPIEGEL] And when will the GDR universities open their doors to West German students?

[Meyer] This has already been settled by my predecessor: West German students do not have to pay tuition, every graduate with abitur may study provided sufficient capacities exist.

[DER SPIEGEL] But that exactly is the problem: In medicine, for example, there are not even enough places for GDR students—actually you should provide a quota now for the West Germans.

[Meyer] All right then. If the West German cultural ministers conference determines a quota system, then we must comply, of course. Equal treatment is a must.

[DER SPIEGEL] Good news for all West German graduates. This immediately doubles their applications.

[Meyer] Yes, yes. That is our main problem....

[DER SPIEGEL] ...which will be limited to only a few subjects, though, primarily to medicine. In economics and law you will need help to begin with from the West to develop a sound study program. Are you even able to pay the professors from the FRG?

[Meyer] Under the present financial circumstances this certainly will be difficult. As soon as is feasible we shall advertise professorships—but with our standard remuneration.

[DER SPIEGEL] The crush will not be all that great.

[Meyer] To those who do not understand that they have a great opportunity here, even though for a few years they are financially not as well off as their colleagues in the FRG, I can only say: Stay where you are.

[DER SPIEGEL] Mr. Secretary, we thank you for this interview.

## HUNGARY

### Concept of Local Police Gains Support

#### National Police Concept Rejected

25000729E Budapest MAGYAR NEMZET  
in Hungarian 24 Apr 90 p 4

[MTI [Hungarian Telegraph Agency] report: "The Law Is Being Drafted; the Police Are Expected To Be Placed Under the Jurisdiction of Autonomous Local Governmental Units"]

[Text] The expert group that was established for the development of a legislative proposal concerning autonomous governmental bodies, and is composed of parties, political organizations, and representatives of the various ministries headed by Imre Verebelyi, deputy minister of the interior for government administration, held a meeting on Monday. An authoritative person at the Interior Ministry informed the MTI [Hungarian Telegraph Agency]: Meeting participants discussed the concept related to the new kind of relationship between the police and local autonomous governmental bodies. It contains two alternatives. According to one of the alternatives the structure of the police would remain essentially unchanged, but the local governments would receive a broad opportunity to involve themselves in the maintenance of local public safety. The other alternative would subordinate the police to local governments, except for organs having national jurisdiction in regard to the prosecution of criminals, law and order, and special purpose traffic organs, and a few special units which would continue to operate at the national level. The committee authorized the experts to develop the second alternative. The committee also discussed the autonomous governmental bodies of large cities. A view emerged that differences that exist as a result of the size and functions of various settlements must be reflected in



differences in regulatory provisions concerning autonomous governmental bodies, even though the basic principle that the legal standing of autonomous government before the law is equal remains. The deputy minister also reported on issues pertaining to the development of a legislative proposal concerning the election of autonomous governmental bodies and local governments.

### **Volunteer Civilian Guards Organized**

25000729E Budapest TALLOZO in Hungarian  
11 May 90 p 869

[Text] Public safety has deteriorated in the country. To improve the situation, the local populace at Jaszfenyszaru has organized a volunteer civilian guard, and a similar initiative has started in Dunaharaszti.

### **Professionalism Is Needed**

"(...) We asked Colonel Janos Dobos, department head at the National Police Headquarters Criminal Enforcement Division, whether he regards this phenomenon as favorable. (...)

"Grass roots organizations similar to the volunteer civilian guard of Jaszfenyszaru have many good features, nevertheless one must observe a few things. There is a need for a certain level of professionalism (contact with the local police, seeking the advice of expert councils concerned with the protection of public order or with the prosecution of criminals), because the threat of doing justice on one's own exists, and so does the possibility that amateurs will be faced with professional criminals. It would not hurt for these groups to be aware of the time periods in which certain types of criminal acts take place, and the methods they should use to defend themselves against such crimes. (...)"

([From] "Citizens Must Also Defend Themselves..."—REGGELI PESTI HIRLAP 2 May 90)

### **Restoration of Lost Citizenship Made Easier**

90CH0118A Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Apr 90 pp 72-73

[Article by Gabor Juhasz: "Recalled Hungarians"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Those who were divested of their citizenship on the basis of the pertaining 1947, 1948, or 1957 statutes can have their citizenship restored with a declaration addressed to the president of the Republic stating that they consider themselves to be Hungarian citizens. The law mandating this, however, does not repeal the 1957 ruling, and, therefore, cases of citizenship are being handled on that basis today too, although no one has been deprived of this legal status since 1981.

Since 1947, in two waves, some 1,700 persons have been stripped of their citizenship. One or another state body made this decision, which involved 1,500 persons between 1947 and 1953, and 200 persons between 1957

and 1981. The National Assembly that was elected in 1985, in its last session on 14 March 1990, resolved that the divesting resolutions based on the 1947, 1948, and 1957 citizenship statutes be rescinded and that the citizenship of the persons involved may be restored. It is set forth in the legislation's preamble that these statutes "made possible the institution of citizenship divestment as an instrument to attain political and economic goals."

The intent to persecute political opponents is particularly apparent in the 1947/X and 1948/XXVI statutes. The first was passed by the National Assembly in March 1947, giving the minister of the interior (then the Communist Laszlo Rajk) the authority to divest certain persons residing abroad of their citizenship. The minister had the authority to do this when "an investigation of a criminal act, as defined in statute 1946/VII which regulates the penal defense of the democratic state and the republic, is in progress" against those who reside abroad, and they fail to return even at the summons of the Hungarian authorities to "give themselves up." Thirty days were given for the return of those living in Europe, but even those who lived outside of Europe could not postpone their return beyond 60 days if they wanted to retain their Hungarian citizenship. The statute's preamble suggests that the primary reason for the legislation was that many participants in a certain conspiracy failed to return home. It is evident that the affair of the so-called Hungarian Community stood in the background. The authorities of the Ministry of the Interior announced the news of this "conspiracy against the Republic" on 5 January 1947, and soon several politicians of the Smallholders Party were implicated as collaborators in the conspiracy. (Accordingly, Bela Kovacs, secretary general of the Smallholders Party in power, was arrested in February by Soviet authorities, and Prime Minister Ferenc Nagy, also a Smallholder, left for Switzerland and resigned instead of returning at the government's summons.) Statue 1947/X made it possible in this situation for the Communist minister of the interior to divest those who had left the country when they heard of the investigation against them, or failed to return, of their citizenship (and to take away their seats in Parliament).

In essence, statute 1948/XXVII changed this ruling only in that then it was the government, not the minister of the interior, who could make the decision to divest one of one's citizenship, with the added retaliation of the confiscation of assets. Accordingly, the assets of certain persons who were stripped of their citizenship after 22 December 1944 (the date when the interim government in Debrecen was set up) were also confiscated, thus the statute was applied retroactively. The explicitly retaliatory nature of the ruling is indicated by the fact that even assets that were in the possession of the "guilty" within one year prior to the divestment of citizenship were confiscated, even if they had been bought by someone in the meantime. And holdings given away as gifts were confiscated retroactively, going back as far as 19 March 1944.

These two short statutes were legislated explicitly to punish certain Hungarian citizens residing abroad, but statute 1948/LX, which went into effect on 1 February 1949, already contained provisions on citizenship in general. This statute, passed in December 1948, made divestment of citizenship possible under many broadly defined pretexts. The minister of the interior himself had the authority to strip of his citizenship anyone who accepted a public office in another state without the government's approval. And, on the basis of a government proposal, the minister could also divest of their citizenship those who accepted, also without the government's approval, any assignment from a foreign government or political organization, or even those who joined or participated in the activities of any political organization abroad. The same thing could be applied to those who left the country through legal loopholes. "Naturally," this statute also included the mandatory confiscation of property.

The next change in the ruling occurred in September 1957 when definitions became even more "flexible." It was decreed, for instance, that a Hungarian subject residing abroad could be stripped of his citizenship after 1 October 1957 if he or she "severely transgressed against allegiance." The authority to decide was given to the Council of Ministers (NET [Council of Ministers of the People's Republic]) which "examined" the degree of disloyalty "in each case." Political activities that are detrimental to the interests of the Hungarian People's Republic (MNK), "statements disparaging and vilifying the country," as well as taking up public service in a foreign state or resisting recall by the Hungarian authorities were considered particularly grave transgressions.

The decisions were also published in *MAGYAR KOZLONY*; for instance, two of such decisions of the Council of Ministers were made public between 1957 and 1960. Eleven persons were stripped of their citizenship on 9 August 1959 because of an alleged "criminal way of living," and one person was divested of his citizenship on 17 September 1959 because of "manifesting a hostile attitude."

An interesting feature of the law, passed on 14 March and effective on 5 April, making possible the restoration of lost citizenship, is that what it repeals is not the statute that was the basis of the deprivation of rights but the decisions, e.g., the decisions of the NET announcing the decisions [as published]. Thus, statute 1957/V is still in effect, including the articles that define the pretexts mentioned (e.g., disloyalty). True, according to *MAGYAR KOZLONY*, no one has been divested of his citizenship since 1981.

In taking away someone's citizenship, the right to the final decision always belongs to the state (Hungarian citizenship cannot be simply renounced), but rescinding the decisions does not automatically mean the "resurrection" of citizenship. Those of the 1,700 persons who are still living and want to restore their citizenship can do so through a simple statement; as of the date of the document sent to the president of the Republic they will be considered, even legally, Hungarian citizens again if they state that they consider themselves to be Hungarian citizens. Perhaps the delay in bringing out the 5 April issue of *MAGYAR KOZLONY* could be an explanation as to why Matyas Szuros had received no such petition by press time.

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